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ABSTRACT

This 10-unit training package is intended for use by educators and trainers to help displaced adults determine their self-employment potential (goal 1) and to guide them in developing a personal plan of action for a small business start-up (goal 2). Units 1-4 relate to the accomplishment of goal 1, and units 5-10 relate to the accomplishment of goal 2. The units are Assessing Self-Employment Potential, Evaluating Business Skills, Building a Support System, Assessing Personal Finances, Completing a Product or Service Survey, Conducting a Competitive Market Survey, Planning a Business, Developing a Business Plan, Using Resources Available for Small Business Owners, and Developing a Personal Plan of Action. Each unit begins with an introduction that includes the following items: topic purpose, objectives, a list of needed materials, products (tangible results produced by participants), assignment, instructor notes (techniques and methods), and estimated time. A well-defined course of action follows. A left-hand column (content) provides a summary of the materials to be covered, which are presented in an inductive way. The right-hand column (process) suggests techniques and methods to be used. The instructional aids (handouts and transparencies) conclude each unit. (YLB)

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ED254658

Leadership Training Series No. 68

BEYOND A DREAM: AN INSTRUCTOR'S GUIDE FOR SMALL BUSINESS EXPLORATION

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The National Center for Research in Vocational Education
The Ohio State University
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Dedicated to

Professor Albert Shapero

for his vision and encouragement in entrepreneurship education and training

Professor Shapero's challenge to vocational education to aid in developing future entrepreneurs has been an inspiration for the entrepreneurship program efforts at the National Center. This publication was designed to provide alternate, realistic opportunities for adults who experience "displacing events" as defined in Professor Shapero's published works.

Albert Shapero, Professor of Management Sciences and holder of the William H. Davis Chair in the American Free Enterprise System, is a leading authority on entrepreneurship and small business. His achievements and honors have brought him national and international recognition and great credit to The Ohio State University.

In addition to his interest in entrepreneurship and small business, Professor Shapero has published numerous articles on economic and industrial development and management of professional activities. He has served as a consultant to such organizations as the U.S. Small Business Administration, the U.S. Department of Energy, the United States Air Force, Stanford Research Institute, the National Science Foundation, as well as to numerous industrial concerns.

His outstanding accomplishments in the areas of entrepreneurship and managerial design exemplify the scholarly excellence that is The Ohio State University.

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FOREWORD

Beyond a Dream: An Instructor's Guide for Small Business Exploration evolved from the need to develop instructional materials for those persons who might be considering self-employment. Records indicate that these persons often become self-employed with little or no business knowledge or skills. As a consequence, more than half of all small businesses fail within 2-5 years.

Educators and trainers can use this 10-unit training package to help displaced adults determine their self-employment potential and to guide them in developing a personal plan of action for a small business start-up. It combines both adult education and entrepreneurial principles and is easily adaptable to participants' needs and the setting.

Many thanks are extended to those people who contributed to the development of this guide through their review and constructive comments. They include Dr. Donald M. Clark, President and Chief Executive Officer, National Association for Industry-Education Cooperation, Buffalo, New York; Dr. Yvonne K. Rappaport, University Director for Programs in Continuing Education, University of Virginia, Charlottesville, Virginia; and Dr. Wesley E. Budke, Senior Research Specialist, and Dr. Susan Imel, Research Specialist, the National Center for Research in Vocational Education.

In addition to these reviewers, several adult educators agreed to pilot test the training package in their respective institutions. A special thanks to the following people for their cooperation and feedback: Paul Callahan, Director of Continuing Education and Extension Services, Cincinnati Technical College, Cincinnati, Ohio; Barry Palmer, Director of Continuing Education, Lehigh County Community College, Schnecksville, Pennsylvania; Edward West, Director of Continuing Education, Jefferson Technical College, Steubenville, Ohio Tom Stuckey, Director of Development, Northwest Technical College, Archbold, Ohio; Joe Collins, North Adult Center, Columbus, Ohio; Bernard Schwartz, Executive Director, The Education Network for Older Adults, Chicago, Illinois, Larry Cline, Executive Dean, Central Arizona College, Coolidge, Arizona; Sue Lichten, Director of Continuing Education, Brookhaven College, Farmers Branch, Texas; Joyce Sass, Director of Program Development, Small Business Center, Triton College, River Grove, Illinois; Elaine Powell, Small Business Development Coordinator, Sinclair Community College, Dayton, Ohio; and Linda Moore, Education and Training Specialist, City Venture Corporation, St. Louis, Missouri.

Special recognition for development of the guide is extended to the following National Center staff: Dr. Lucille Campbell-Thrane, Associate Director, Personnel Development and Field Services Division; Dr. M. Catherine Ashmore, Entrepreneurship Program Director; Dr. Novella Ross, Project Director, for leadership and direction of the project; Phyllis Baker, Judy Balogh, John Bebris, and Lisa Mazzei Fischer, project staff, for contributions in developing the product; Mary Bernard for typing the manuscript; and Jerri Ramage who served as word processor operator. Final editorial review was conducted under the supervision of Janet Kiplinger.

Robert E. Taylor
Executive Director
The National Center for Research
in Vocational Education

INTRODUCTION

Beyond a Dream: An Instructor's Guide for Small Business Exploration is a 10-unit training package educators and trainers can use (1) to help adults determine their self-employment potential and (2) to guide them in developing a personal plan of action for a small business start-up. It combines both adult education and entrepreneurial principles and is easily adaptable to participants' needs and the setting.

Background

This training package evolved from the need for instructional materials targeted specifically for displaced adults. Albert Shapero* defines *displaced adults* as those persons who are experiencing major changes in their lives (life path changes). These changes are the result of such *displacing events* as getting fired, encountering family business argument, entering a middle-age crisis, or being divorced or widowed. Others may find themselves *between situations* due to graduation, military discharge, retirement, or being laid off. He adds that going into business for one's self is often a response made by adults experiencing these types of crises.

According to Shapero, *negative displacements* are the leading reasons for starting a business, although *positive pulls* such as financial support or partnership are also strong influences. The ultimate decision to start a business, however, is contingent upon the person's *desire*, or determination, to succeed and the *feasibility*, or likeliness of an experience being successful (see figure 1).

Clearly, the life path change process, as depicted by Shapero, points to displaced adults as the primary audience to consider entrepreneurship as an alternative to unemployment. However, records indicate that these persons are becoming self-employed with little or no business knowledge or skills. As a result, three-fourths of all small businesses fail within 2-5 years.** Therefore, instructors need to work closely with adults to help them determine if, in fact, self-employment is for them.

Purpose

As stated earlier, this training package will help participants accomplish two goals: (1) to determine their self-employment potential and (2) to develop a personal plan of action for small business start-up. Specifically, this training package provides participants with the opportunity to—

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*Albert Shapero is professor of management and human resources and holder of the William H. Davis Chair in the American Free Enterprise System at The Ohio State University in Columbus, Ohio.

**U.S. Small Business Administration, *The State of Small Business: A Report of the President* (Washington, DC: Government Printing Office, March 1984), 36.

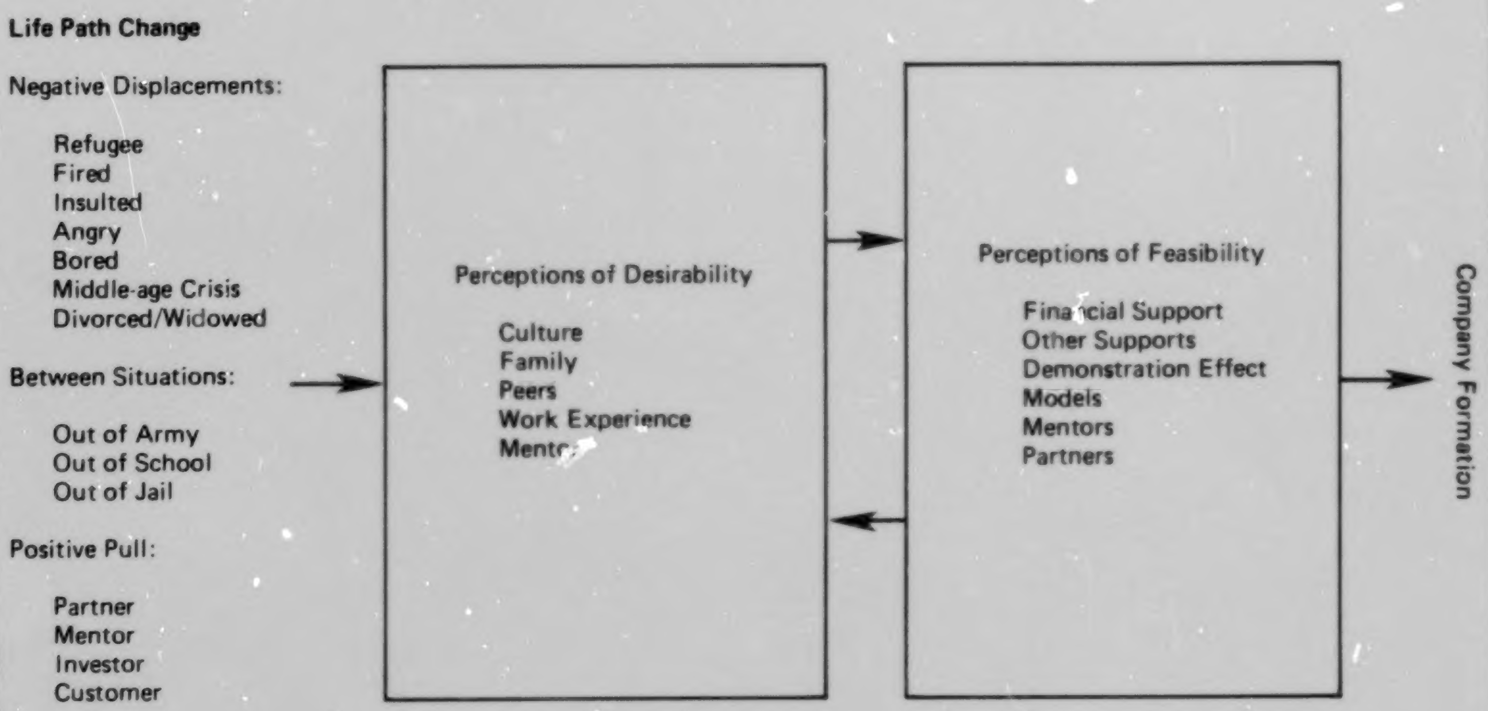

Figure 1. Entrepreneurial event information

SOURCE: Reprinted from "The Social Dimensions of Entrepreneurship," by Albert Shapero and Lisa Sokol. In *Encyclopedia of Entrepreneurship*, edited by Calvin A. Kent, Donald Sexton, and Karl H. Vesper (Englewood Cliffs, NJ: Prentice-Hall, 1982), 83.

- evaluate themselves via a self-assessment activity.
- discover what skills they have acquired through life experiences and education and identify those areas where they might need further technical assistance.
- start a community support system to compensate for needed technical assistance and expertise.
- analyze their financial basis for starting a business.
- test their business idea with the consumer and competitive market.
- develop a business plan.
- learn about resources available for small business owners, and
- decide their next steps.

Organizational and Instructional Design

Organizational Format

This training package is made up of the following 10 units.

- Unit 1: Assessing Self-employment Potential
- Unit 2: Evaluating Business Skills
- Unit 3: Building a Support System
- Unit 4: Assessing Personal Finances
- Unit 5: Completing a Product or Service Survey
- Unit 6: Conducting a Competitive Market Survey
- Unit 7: Planning a Business
- Unit 8: Developing a Business Plan
- Unit 9: Using Resources Available for Small Business Owners
- Unit 10: Developing a Personal Plan of Action

Units 1-4 relate specifically to the accomplishment of goal 1, which is to determine potential for self-employment, and units 5-10 relate specifically to the accomplishment of goal 2, which is to develop a personal plan of action for small business start-up. Following the completion of units 1-4, some participants in the course may have already determined that they do not want to be self-employed; if so, they should be given the option of exiting the course or continuing. One of the following four outcomes is possible for those participants who complete all 10 units:

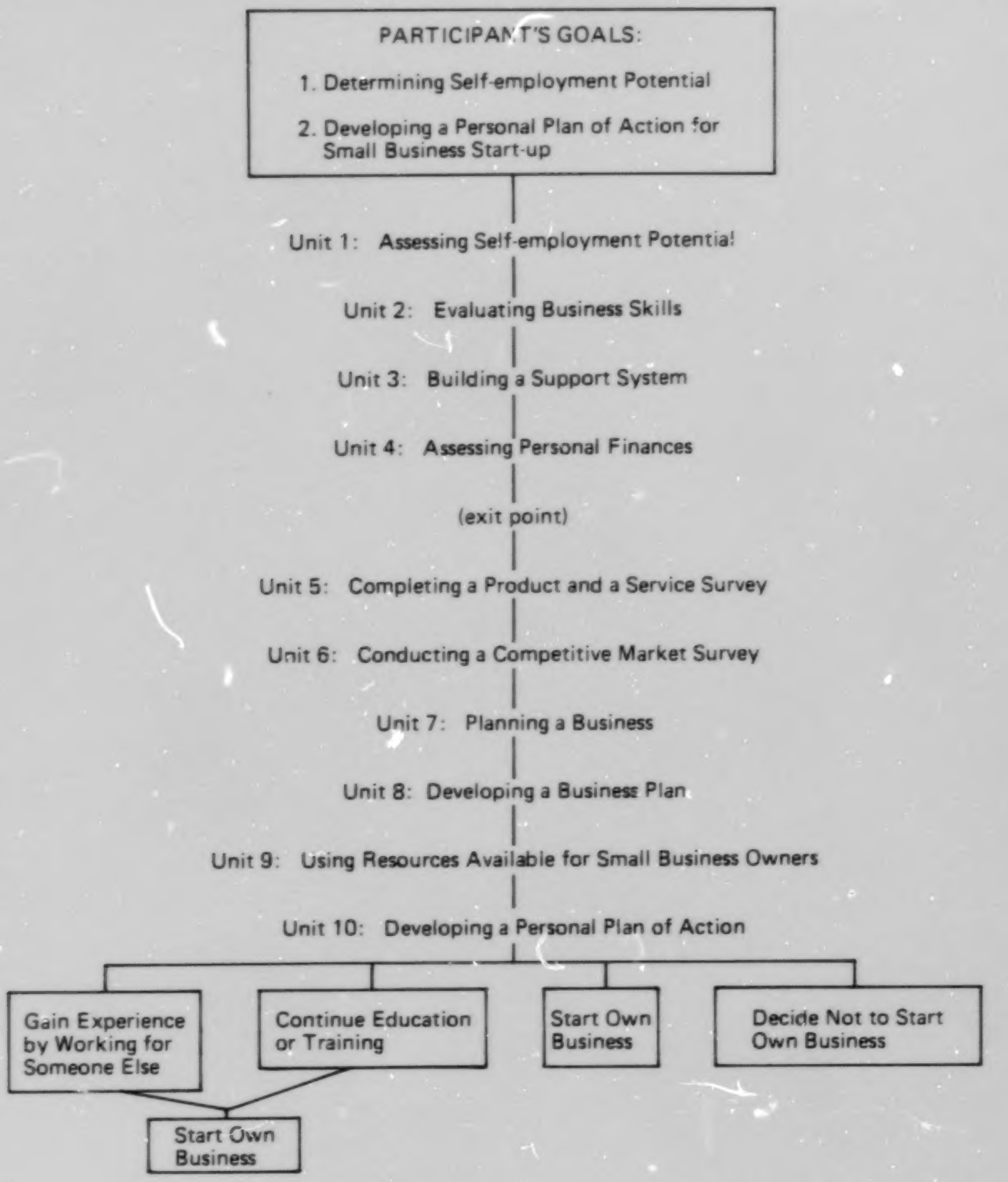
PARTICIPANT'S GOALS:
1. Determining Self-employment Potential
2. Developing a Personal Plan of Action for Small Business Start-up
Unit 1: Assessing Self-employment Potential
Unit 2: Evaluating Business Skills
Unit 3: Building a Support System
Unit 4: Assessing Personal Finances
(exit point)
Unit 5: Completing a Product and a Service Survey
Unit 6: Conducting a Competitive Market Survey
Unit 7: Planning a Business
Unit 8: Developing a Business Plan
Unit 9: Using Resources Available for Small Business Owners
Unit 10: Developing a Personal Plan of Action
Gain Experience by Working for Someone Else
Continue Education or Training
Start Own Business
Decide Not to Start Own Business
Start Own Business

Figure 2. Business start-up exploration for displaced adults

- Work for someone else to gain experience before starting their own business
- Start their own business as a sole proprietorship, partnership, franchise, or corporation
- Continue entrepreneurship education or training and then start their own business
- Decide not to start their own business

Figure 2 depicts the organizational design of this training package.

Instructional Format

Each of the 10 units begins with an introduction that includes the following items:

- **Topic**—title or focus of the unit
- **Purpose**—overall goal to be attained in this unit
- **Objective(s)**—chains of individual attainments leading to achievement of unit goal
- **Material(s)**—handouts and transparencies needed for the unit
- **Product(s)**—tangible result(s) produced by participants
- **Assignment**—out-of-class activity in support of in-class activity
- **Notes to instructor**—additional comments about techniques and methods to use in the unit
- **Estimate time**—approximate time to spend on unit activities

The introduction is followed by a well-defined course of action, depicted by the "T" format (see figure 3).

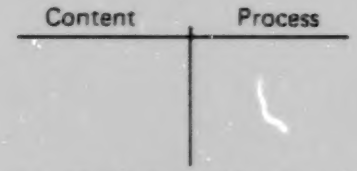

Figure 3. "T" format

In figure 3, the left-hand column (content) provides a summary of the materials to be covered in each unit. Questions about what to teach are answered here. The material is presented in an inductive way, progressing from general to specific. The right-hand column (process) suggests techniques and methods to be used. These are appropriate for adult learning styles and incorporate a variety of print, audiovisual, group, and individual activities.

Instructional Methodology

Recognizing that adults bring varying amounts of experience and expertise to each learning activity, the instructional strategies suggested in this guide incorporate as much practicality as possible. For example, the technical subject matter is presented in a group discussion-lecture style that employs buzz sessions, question and answer periods, and spontaneous participant reaction activities (for example, brainstorming). These activities will encourage participants to build on previous experiences. Whenever possible, presentations by outside speakers and surveys and interviews with the small business sector are planned.

The learning activities in this training package have been designed to capitalize upon the creativity of the participant in a realistic context. Consequently, there are no right or wrong answers to the questions asked. The important objective to focus on is the procedure and the thought process that the participants are required to utilize as they experience each learning process.

Instructional Aids

The instructional aids to be used in each unit are included in this package. Instructor preparation materials, handouts, and transparencies are labeled and placed at the end of each unit. Handouts are labeled "HO" followed by the unit number and handout number (HO 3-2 is interpreted as handout number 2 in unit 3). Transparencies are labeled in a similar fashion (TP 3-1 is transparency number 1 in unit 3).

Instructors may wish to add to the content in this training package or suggest additional material for individuals who need further instructions. The *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* is an example of such material.

PACE consists of 18 instructional modules. Each module includes objectives, content, activities, and posttests and can be used separately or expanded into an entire course. Also, *PACE* is offered at three levels of learning (54 modules in total). Level 1 exposes participants to entry-level entrepreneurship concepts. Level 2 assists participants in developing a detailed business plan based upon the principles of entrepreneurship. Level 3 has participants build upon their entrepreneurial knowledge and experience to become competent in the management of small business. In addition, there is an instructor's guide for each level and a total resource guide. *PACE* can be purchased from the National Center for Research in Vocational Education. See directions on the inside of the back cover of this publication.

Figure 4 graphically displays the instructional design of this training package.

Instructional Setting

This training package is designed for the convenience of busy adults, both participants and instructors. All 10 units can be used as a package and conducted in 1 of the following ways:

- Ten 3-hour sessions, 1 per week for a total of 10 weeks
- Five 3-hour sessions, 2 per week for a total of 5 weeks
- Four all-day Saturday sessions

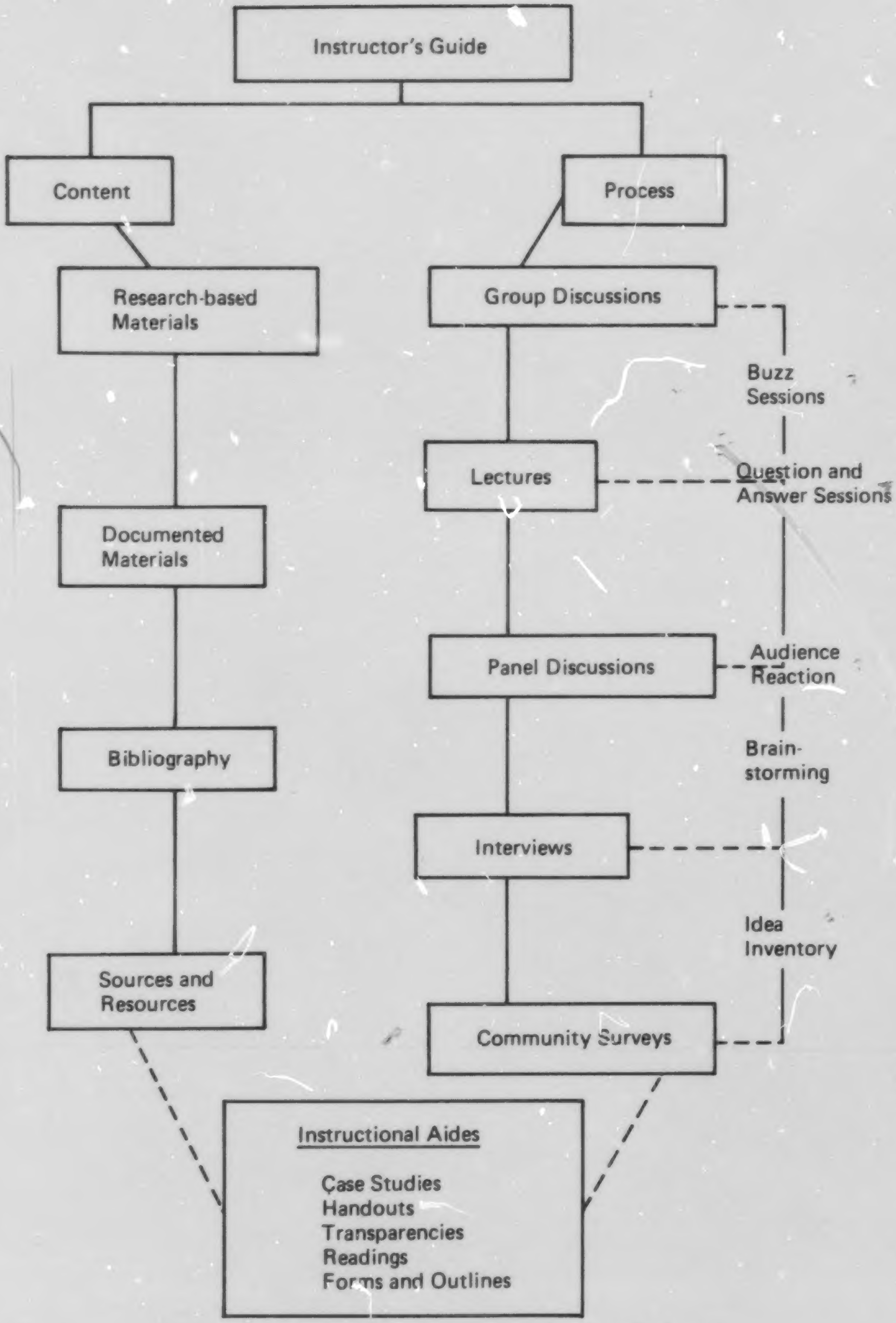

Figure 4. **Schematic profile of training package**

Furthermore, units can also be used individually or combined to meet participants' entrepreneurship education needs and to suit the setting (short course, workshop, seminar, or conference session) in which the material is presented, as in these four examples:

- Unit 1 could serve as a workshop or conference session for those thinking about self-employment and wanting to know if they are likely candidates.
- Unit 2 could be used in a workshop setting to help individuals considering self-employment determine those areas in which they might need technical assistance.
- Units 3-9 could be used in a seminar setting to help potential small business owners start a support system and increase their awareness of available resources.
- Units 4-8 could be used as a short course to help participants develop a preliminary business plan.

Finally, this package could be used in total or in part in the following settings:

- A community schools program for targeted adult audiences
- The adult education program in a vocational education school
- A community college course
- A local U.S. Small Business Administration Office (SBA) service
- A continuing education program at the local college or university
- An industry program for workers about to be laid off or retired

Community Advisory Committee

To assist the instructor in planning, implementing, and evaluating the program and to encourage participants to consult with community people for technical assistance and support, it is suggested that the instructor organize an advisory committee of four to six community persons. Such a committee could include the following types of representatives:

- Banker or other financial person
- College or university professor
- Chamber of commerce member
- Local small business administration representative
- Local small business owner
- Lawyer or legal consultant

This committee could be used at all stages of the course: planning, implementing, and evaluating the course. Specifically, these people would agree to serve as advisors and to act as a support system for participants during the program. The following units have been designed to utilize part or all of the community advisory committee in the following ways:

- Unit 3 suggests that a local small business owner talk about personal experiences in developing a support system and in describing a personal mentor relationship.
- Unit 4 suggests that—

  —a faculty member in consumer education or a counselor from a consumer credit counseling service help participants generate a personal budget;

  —a small business owner talk about credit references and other documents required before debt financing is extended; and

  —representatives from a bank, finance company, life insurance company, savings and loan, and Federal loan participants discuss financing opportunities.
- Unit 5 suggests that a chamber of commerce research manager or local State department of commerce labor economist discuss the prospects for small business development in the local area.
- Unit 6 suggests that 2 small business owners discuss marketing and location factors.
- Unit 7 suggests that the whole committee help participants with the financial planning exercise.
- Unit 8 suggests that the whole committee help participants in the development of preliminary business plans.
- Unit 10 contains an evaluation form committee members can use to critique the course.

Marketing the Program

Educators and trainers can identify potential clients for this program by contacting various agencies that provide support services for displaced adults:

- Adult basic education and high school continuation programs
- Local employment services offices
- Private Industry Council/Job Training Partnership Act
- Public libraries
- Civic, government, business, and industrial organizations

After potential participants have been identified, the following strategies can be used to recruit them into the program:

- Disseminate information brochures, fliers, or letters to clients to explain the program
- Visit responsive agencies and give seminars, workshops, or informal talks about the programs
- Contact radio and TV stations to make public service announcements about the self-assessment entrepreneurial program

Also, former students can be asked to serve as advocates once the program is underway. Word-of-mouth communication through networks for displaced adults will also attract potential participants.

Assessing Self-Employment Potential

UNIT 1

Title: ASSESSING SELF-EMPLOYMENT POTENTIAL

Purpose: This unit is designed to help participants evaluate their desire to become small business owners.

Objectives: Upon completion of this unit, participants will—

- have an awareness of the importance of new small businesses in our economy and
- have evaluated their personal characteristics in relationship to research on entrepreneurs.

Materials:

Handout 1-1. Why the Emphasis on Self-employment?
Handout 1-2: Entrepreneurial Options
Handout 1-3: Occupational Employment Projections
Handout 1-4: Standard Industrial Codes
Handout 1-5: Entrepreneurship Self-assessment Profile
Handout 1-6: Entrepreneurs Are . . .
Handout 1-7: Taking Control
Handout 1-8: The Displaced, Uncomfortable Entrepreneur
Handout 1-9: Shapero's Laws
Handout 1-10: Entrepreneurship Self-assessment Profile Guide

Transparency 1-1: Class Objectives
Transparency 1-2: What Is an Entrepreneur?
Transparency 1-3: Reasons for Business Failure
Transparency 1-4. Personality Factors of Self-employed Persons

Product: Self-assessment of Entrepreneurial Characteristics

Assignment: Read HO 1-8 and 1-9.
Complete list of job-related experiences.

Notes to Instructor: None

Estimated time:

Class introductions	30 minutes
Small business overview	60 minutes
Self-assessment profile	10 minutes
Characteristics presentation	45 minutes
Self-assessment profile analysis	30 minutes
Assignment	5 minutes

CONTENT	PROCESS
	Introduce yourself.
	Pair off participants and ask them to spend 10 minutes interviewing their partners. Then have them introduce their partners to the whole class mentioning three or four things they learned about the person (where from, family, hobbies or interests, education, work, and so on).
A. Overview of Class	
For this class you will need a large three-ring notebook to keep handouts and notes. You will also need a file box, 5" by 8" file cards, and divider tabs to develop a community resource and technical assistance file.	Ask participants to bring the notebook each week; the file box will be needed the third week.
The materials collected during the class will be used to develop a personal business plan, both now and later.	
This class is designed to help you make some decisions about the *desirability* of starting your own business. That is, is it a choice that will work well with your personality, life-style, and background? Does it fit your personal needs?	Explain the purpose of the class and what participants should hope to accomplish.
This class will also help you evaluate the *feasibility* of starting a business of your own choice. You may have many needed skills and you may find you lack certain skills.	Ask participants what they would hope to accomplish in this class. Listen to their needs and if they are not already addressed as part of the class objectives, see if they can be added.
By the time you have finished this class, you will be able to assess your potential to be a small business owner. No one can do this for you. It is a highly personal decision. We are here to think about that decision together. As a group we will be able to provide a great deal of support for each others' ideas and perhaps some solutions to our problems.	
When you complete this course, you will be able to determine which of these choices is right for you:	Show TP 1-1: Class Objectives.

CONTENT	PROCESS
• Start your own business • Find a job to provide more experience *before* starting your own business • Go to school to build your skills *before* starting your own business • Decide that starting your own business is not for you	
Any of these choices are highly appropriate. It is important to help new businesses get started—but it is more important to help you make a success-oriented decision.	Briefly explain the community advisory committee you have put together to work with the class throughout the course. Go into as much detail as you think necessary at this time (give names, representation, function, and so on).
B. Entrepreneurs in the American Economy	
The first thing we need to do is define the word *entrepreneur*.	Define *entrepreneur*.
An *entrepreneur* is an individual who undertakes all the risks related to forming and operating a small business. This involves performing all business functions associated with a product or service and includes social responsibilities and legal requirements.*	Refer to TP 1-2: What Is an Entrepreneur?
Here are some variations of the word entrepreneur:	
• **Entrepreneurial**—an adjective or descriptive form of the word entrepreneur • **Entrepreneurship**—the process that embodies all the experiences and activities (that is, education and training)	

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*This definition is provided by the Entrepreneurship Task Force of the Office of Vocational and Adult Education, U S Department of Education

CONTENT	PROCESS
involved in becoming a small business owner	
The word entrepreneur, through this class, is used interchangeably with *small business owner* and *self-employed* person.	
Now let's talk about entrepreneurs, or small business owners, in the American economy.	
New business start-ups are at an all-time high in the United States and have provided the job supply that pulled us through the recent recession.	Discuss HO 1-1: Why the Emphasis on Self-employment?
At the same time, a great number of new businesses either fail-or close because the owner decides to do something else.	Discuss TP 1-3: Reasons for Business Failure.
There are all kinds of opportunities in this community and State for new small businesses. Many of the areas of greatest job growth in the future are related to service businesses. These are perhaps the least expensive to start up. Think of the different options for starting your own business. Stores are just one type of business and often require a pretty large start-up investment. Consider the possibilities of these types of entrepreneurial options as well:	
• Self-employed • Team builders • Inventors • Pattern multipliers • Economy of scale exploiters • Acquirers • Buy-sell artists	Discuss HO 1-2: Entrepreneurial Options. Note, too, that this handout broadens the original definition of entrepreneur.

CONTENT	PROCESS
• Speculators	
• Internal entrepreneurs	
When you look at job predictions of the future, realize that high technology is only a small part of our predicted job growth areas. Each of these 40 top job growth areas has possibilities for the "entrepreneurial spirit."	Discuss HO 1-3: Occupational Employment Projection.
	Ask participants to name occupations that would not benefit from entrepreneurship.
"How can I begin to think about a business I could start?" This question is a matter of personal creativity. But it also depends on knowing what kinds of businesses there are.	Discuss which types of businesses are needed in this community.
A quick look at the Standard Industrial Codes (SIC) shows some possibilities.	Discuss HO 1-4: Standard Industrial Codes.
C. Personal Characteristics of Entrepreneurs	
If entrepreneurs could be identified in advance, we would select the people who should be in this class. But as you will find, the personalities and life histories of entrepreneurs vary greatly.	
Much research has been conducted to determine just what we do know about self-employed people. Let's do a little research with our group.	Discuss HO 1-5: Entrepreneurship Self-assessment Profile.
Read the instructions for the Entrepreneurship Self-assessment Profile and answer the questions honestly. There are no wrong answers.	Allow approximately 10 minutes to answer the questions, then tell participants to put the profile aside for later use.
D. What We Know about Entrepreneurs	
Research shows that entrepreneurs tend to have certain life-style patterns and personality characteristics. Note, however, that there is no absolute definition of what you have to be like—just some tendencies that have been observed.	

CONTENT	PROCESS
1. Life Background	
Entrepreneurs exhibit a life-style that sets them apart from people who choose to work for others. Their childhoods, social relationships, and such minor things as the use of personal time are often the same. Most of them came from families where fathers weren't around and mothers ran the show. They were usually given adult responsibilities at an early age.	
There are some who think that entrepreneurs are born, not made. A study of company founders conducted by the National Federation of Independent Business suggests that a variety of lifetime experiences encourage people to become small business owners.	Discuss HO 1-6: Entrepreneurs Are . . .
2. Personality Factors	
The *Encyclopedia of Entrepreneurship*[*] summarizes a number of research projects designed to help us understand the entrepreneur. In this book, 42 personality characteristics are identified as being present in surveyed small business owners. These qualities that turn up in most studies are these:	
• Self-confidence • Perseverance, determination • Energy, diligence • Resourcefulness • Ability to take calculated risks • Need to achieve • Creativity	Show TP 1-4: Personality Factors of Self-employed Persons.

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[*] Calvin A. Kent, Donald L. Sexton, and Karl H. Vesper, *Encyclopedia of Entrepreneurship* (Englewood Cliffs, NJ: Prentice-Hall, 1982), 28.

CONTENT	PROCESS
• Initiative • Flexibility • Positive response to challenges • Independence • Foresight • Dynamism, leadership • Versatility in knowledge • Ability to get along with people • Responsiveness to suggestions and criticism • Profit orientation • Perceptiveness • Optimism	
Albert Shapero, in a commencement address at The Ohio State University, December 1982, said that entrepreneurs are not born—they *become* through experience.	Distribute HO 1-7: Taking Control.
If you wish to be an entrepreneur, major characteristics to develop in your life include the following:	Discuss the major points listed here that are addressed by Shapero.
• Independence • Desire to control one's own life • Optimism • Creativity • Tolerance for ambiguity in one's life	
Professor Shapero has identified a *displacing event* as the impetus a person needs to become self-employed.	Ask students to read for next time HO 1-8: The Displaced, Uncomfortable Entrepreneur and HO 1-9: Shapero's Laws.

CONTENT	PROCESS
3. Life-styles	
To be an independent person and take charge of your own life requires some decisions about your use of time, dependence on other people, control by other people in your life, and need for socializing. People who run their own businesses must work these items into and around their personal priorities to get a business going successfully—often on a limited financial basis. Therefore, if you need a lot of time in your life to take vacations, sleep, read, watch TV, go to parties, or babysit, starting your own business may cause personal frustration. Your family will need to be supportive of your decision to spend your time and capital on the business.	Discuss how one's preferred life-style might or might not affect running one's own business.
What areas of life-style must you consider in deciding if entrepreneurship is for you?	Ask the class what areas of their life-style they must alter if they choose an entrepreneurial career. List their answers on the chalkboard or a blank transparency.
Possible areas to examine may include these: • Family responsibilities • Who controls your life • Financial status • Need for friends • Others	

CONTENT	PROCESS
E. Analyzing the Self-assessment Profile The 50 questions on the Entrepreneurship Self-assessment Profile have been grouped into these categories: • Personal background • Behavior patterns • Life-style Each question addresses specific areas that relate to entrepreneurs, as noted in parentheses following each question. The answers that you see here are what studies show to be the commonly given response of small business owners. You will want to compare your answers to what is shown on the Self-assessment Profile Guide.	Distribute HO 1-10: Entrepreneurship Self-assessment Profile Guide.
	Allow participants approximately 15 minutes to study the Self-assessment Profile Guide and to answer the questions at the end of the guide. Discuss participants' responses.
What personal weaknesses did you discover? Can you be an entrepreneur with these weaknesses? What can you do to improve your areas of weakness? Is your life-style compatible with the demands placed upon an entrepreneur? Unit 3 will deal with forming a support system as one way to compensate for personal and technical skill weaknesses.	

CONTENT	PROCESS
Remember, this was not a test but is meant to give you some idea of how your personal life-style, background, and behavior compare to what we know about the life-style, background, and behavior of self-employed persons.	
F. Assignment	
Next, we will be looking at your experiences as they relate to your success as a small business owner.	Ask class members to list all job-related experiences (paid and voluntary), courses, workshops, and any activities related to business. This is for future use, not for the instructor to grade.

HO 1-1

Why the Emphasis on Self-employment?

- Currently, there are approximately 16.3 million *U.S. small businesses* not including the single employee operations of which there are probably another 7.1 million. This is a total of 23.4 million businesses and represents 106 million jobs in total.
- Small business income during 1983 increased 18 percent over the past year, while wage and salary expense rose only 6.1 percent.
- Business bankruptcies, most of which occur in small businesses, declined 10.5 percent during 1983—a marked improvement over the previous year.
- In 1981 and 1982, small independent firms created *2,650,000 new jobs*, more than compensating for the 1,664,000 jobs lost by large industry.
- More than half of the new jobs created in 1981 and 1982 were in the *service sector*.
- Small businesses furnish *two-thirds of the jobs for new workers*. Many of these are in the services sector, the traditional doorway to the job market for the young, minority, and unskilled job seekers.

  Women-owned businesses are growing at an all-time high. In 1983, 2.8 million sole proprietorships were owned by women (4 times the number in 1977). Including partnerships and corporations the number exceeds 3.7 million, or 25 percent of all small businesses.
- Small businesses employ 48 percent of the private work force.
- *Ninety percent* of the small businesses in the United States *employ fewer than 10 people*.
- In 1983, 600,000 new business incorporations occurred—20,000 more than the previous record established in 1981.

SOURCE: U.S. Small Business Administration, *The State of Small Business: A Report of the President* (Washington, DC: Government Printing Office, March 1984), executive summary.

HO 1-2

Entrepreneurial Options

Before you begin, let's talk about the type of entrepreneur you might choose to be. Each type is needed to help our Nation grow. Let's look at the possibilities. Most people agree that entrepreneurs tend to be independent operators, though they sometimes work in teams. They take initiative to make a profit on business opportunities, but there is room for the following differences in the type of entrepreneur you choose to be.

1. **Self-employed individuals** are those who perform all the work and keep all the profit. This includes everything from family-run stores, agents, repairpersons, accountants, to physicians and lawyers. It can be full-time or part-time because no one else is involved.
2. **Team builders** are those who start a business and expand as fast as possible in order to be able to hire other employees. Most of the time, these additional employees have needed expertise that the owner does not have.
3. **Inventors** are those with particular inventive abilities who design a better product and then create companies to develop, produce, and sell the item. High-technology companies of this type are a new trend.
4. **Pattern multipliers** are those who look for an idea someone else has already created and then create their own business based on following another's model. Franchise operation or chain stores are a form of this approach.
5. **Economy of scale exploiters** are those who benefit from large volume sales by offering discount prices and operating with very low overhead.
6. **Acquirers** are those who take over a business started by another and use their own ideas to make it successful. This often happens when there is a financial problem in the current operation. Fresh management ideas may save the business.
7. **Buy-sell artists** are those who buy a company for the purpose of improving it before selling it for a profit.
8. **Speculators** are those who purchase a commodity and resell it for a profit. Real estate, art, antiques, and crops are typical speculator items.
9. **Internal entrepreneurs** are those who create new ideas and make them into a successful project within an existing business. Although they have neither the profit nor the personal financial risk of their own business, they need to use the same methods of operation.

SOURCE: Adapted from Carl Vesper, *New Venture Strategies* (Englewood Cliffs, NJ: Prentice-Hall, 1980), 3-11.

Occupational Employment Projections
Forty Occupations with Largest Job Growth
1982 to 1995

Table 2. Forty occupations with largest job growth, 1982–95

Occupation	Change in total employment (in thousands)	Percent of total job growth	Percent change
Building custodians	779	3.0	27.5
Cashiers	744	2.9	47.4
Secretaries	719	2.8	29.5
General clerks, office	696	2.7	29.6
Salesclerks	685	2.7	23.5
Nurses, registered	642	2.5	48.9
Waiters and waitresses	562	2.2	33.8
Teachers, kindergarten and elementary	511	2.0	37.4
Truckdrivers	425	1.7	26.5
Nursing aides and orderlies	423	1.7	34.8
Sales representatives, technical	386	1.5	29.3
Accountants and auditors	344	1.3	40.2
Automotive mechanics	324	1.3	38.3
Supervisors of blue-collar workers	319	1.2	26.6
Kitchen helpers	305	1.2	35.9
Guards and doorkeepers	300	1.2	47.3
Food preparation and service workers, fast food restaurants	297	1.2	36.7
Managers, store	292	1.1	30.1
Carpenters	247	1.0	28.6
Electrical and electronic technicians	222	.9	60.7
Licensed practical nurses	220	.9	37.1
Computer systems analysts	217	.8	85.3
Electrical engineers	209	.8	65.3
Computer programmers	205	.8	76.9
Maintenance repairers, general utility	193	.8	27.8
Helpers, trades	190	.7	31.2
Receptionists	189	.7	48.8
Electricians	173	.7	31.8
Physicians	163	.7	34.0
Clerical supervisors	162	.6	34.6
Computer operators	160	.6	75.8
Sales representatives, nontechnical	160	.6	27.4
Lawyers	159	.6	34.3
Stock clerks, stockroom and warehouse	156	.6	18.8
Typists	155	.6	15.7
Delivery and route workers	153	.6	19.2
Bookkeepers, hand	152	.6	15.9
Cooks, restaurants	149	.6	42.3
Bank tellers	142	.6	30.0
Cooks, short order, specialty and fast food	141	.6	32.2

Note: Includes only detailed occupations with 1982 employment of 25,000 or more. Data for 1995 are based on moderate-trend projections.

SOURCE: Reprinted from "Occupational Employment Projections through 1995," *Monthly Labor Review* 106, no. 11 (November 1983): 45.

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Standard Industrial Codes

DIVISION D. MANUFACTURING

20. Food and kindred products
21. Tobacco manufacturers
22. Textile mill products
23. Apparel and other finished products made from fabrics and similar materials
24. Lumber, wood products (except furniture)
25. Furniture and fixtures
26. Paper and allied products
27. Printing, publishing, and allied industries
28. Chemicals and allied products
29. Petroleum refining and related industries
30. Rubber and miscellaneous plastics products
31. Leather and leather products
32. Stone, clay, glass, and concrete products
33. Primary metal industries
34. Fabricated metal products (except machinery and transportation equipment)
35. Machinery (except electrical)
36. Electrical and electronic machinery, equipment, and supplies
37. Transportation equipment
38. Measuring, analyzing, and controlling instruments; photographic, medical, and optical goods; watches and clocks
39. Miscellaneous manufacturing industries

DIVISION F. WHOLESALE

50. Wholesale trade—durable goods
51. Wholesale trade—nondurable goods

DIVISION G. RETAIL TRADE

52. Building materials, hardware, garden supply, and mobile home dealers
53. General merchandise stores
54. Food stores
55. Automotive dealers and gasoline service stations
56. Apparel and accessory stores
57. Furniture, home furnishings, and equipment stores
58. Eating and drinking places
59. Miscellaneous retail

SOURCE: U.S. Small Business Administration, *The State of Small Business: A Report of the President* (Washington, DC: Government Printing Office, March 1984), p. 77.

Standard Industrial Codes—*Continued*

DIVISION I. SERVICES

70. Hotels, rooming houses, camps, and other lodging places
72. Personal services
73. Business services
75. Automotive repairs, services, and garages
76. Miscellaneous repair services
78. Motion pictures
79. Amusement and recreation services (except motion pictures)
80. Health services
81. Legal services
82. Educational services
83. Social services
84. Museums, art galleries, and botanical and zoological gardens
86. Membership organizations
88. Private households
89. Miscellaneous services

HO 1-5

Entrepreneurship Self-assessment Profile

Instructions: This questionnaire will help you look at your personal background, behavior patterns, and life-style in relation to what is known about entrepreneurs. The questions were designed to represent some of the characteristics studies have shown that entrepreneurs tend to exhibit. Put an **X** under the response—**Rarely or No** or **Mostly or Yes**—that best represents your answer to each question. Be honest—there are no wrong answers. Complete all 50 questions.

	Rarely or No	**Mostly or Yes**
1. Do you worry about what others think of you?	____	____
2. Do you read books?	____	____
3. Do you take risks for the thrill of it?	____	____
4. Do you find it easy to get others to do something for you?	____	____
5. Has someone in your family shared the experience of starting a business with you?	____	____
6. Do you believe in organizing your tasks before getting started?	____	____
7. Do you get sick often?	____	____
8. Do you enjoy doing something just to prove you can?	____	____
9. Have you ever been fired from a job?	____	____
10. Do you find yourself constantly thinking up new id[illegible]	____	____
11. Do you prefer to let a friend decide on your social activities?	____	____
12. Did you like school?	____	____
13. Were you a very good student?	____	____
14. Did you run with a group in high school?	____	____
15. Did you participate in school activities or sports?	____	____
16. Do you like to take care of details?	____	____
17. Do you believe there should be security in a job?	____	____
18. Will you deliberately seek a direct confrontation to get needed results?	____	____

Entrepreneurship Self-assessment Profile—*Continued*

	Rarely or No	Mostly or Yes
19. Were you the firstborn child?	____	____
20. Was your father mostly present during your early life at home?	____	____
21. Were you expected to do odd jobs at home before 10 years of age?	____	____
22. Do you get bored easily?	____	____
23. Are you sometimes arrogant about your accomplishments?	____	____
24. Can you concentrate for extended periods of time on one subject?	____	____
25. Do you, on occasion, need pep talks from others to keep you going?	____	____
26. Do you find unexpected energy resources as you tackle things you like?	____	____
27. Does personal satisfaction mean more to you than having money to spend on yourself?	____	____
28. Do you enjoy socializing regularly?	____	____
29. Have you ever deliberately exceeded your authority at work?	____	____
30. Do you try to find the benefits of a bad situation?	____	____
31. Do you blame others when something goes wrong?	____	____
32. Do you enjoy tackling a task without knowing all the potential problems?	____	____
33. Do you persist when others tell you it can't be done?	____	____
34. Do you take rejection personally?	____	____
35. Do you believe that you generally have a lot of good luck that explains your successes?	____	____
36. Are you likely to work long hours to accomplish a goal?	____	____

Entrepreneurship Self-assessment Profile—*Continued*

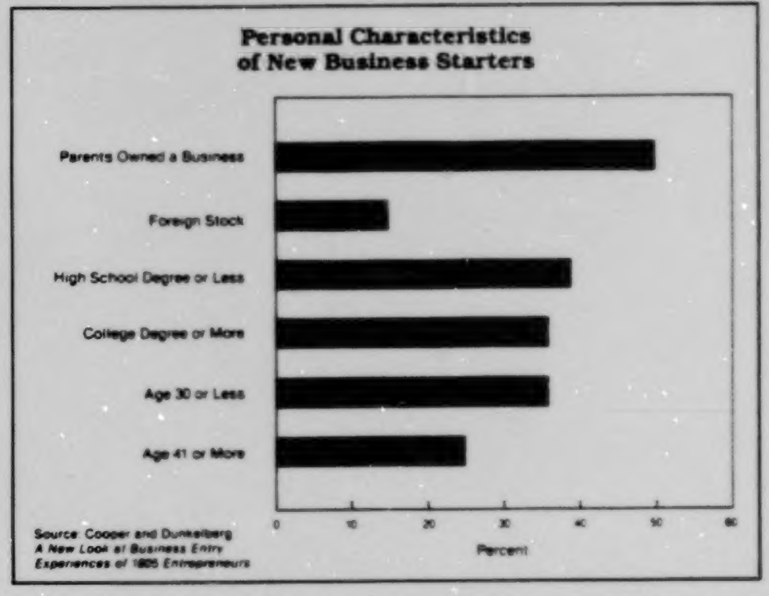
		Rarely or No	Mostly or Yes
37.	Do you enjoy being able to make your own decisions on the job?	____	____
38.	Did you wake up happy most of your life?	____	____
39.	Can you accept failure without admitting defeat?	____	____
40.	Do you have a savings account and other personal investments?	____	____
41.	Do you believe that entrepreneurs take a huge risk?	____	____
42.	Do you feel that successful entrepreneurs must have advanced college degrees?	____	____
43.	Do you strive to use past mistakes as a learning process?	____	____
44.	Are you more people oriented than goals oriented?	____	____
45.	Do you find that answers to problems come to you out of nowhere?	____	____
46.	Do you enjoy finding an answer to a frustrating problem?	____	____
47.	Do you prefer to be a loner in your final decision?	____	____
48.	Do your conversations discuss people more than events or ideas?	____	____
49.	Do you feel good about yourself in spite of criticism of others?	____	____
50.	Do you sleep as little as possible?	____	____

Entrepreneurs Are . . .

Entrepreneurs

There are some who think that people who start businesses—entrepreneurs—are "born, not made." Yet, the study of company founders suggests that a variety of experiences which people have may make them more or less likely to start their own businesses. These experiences may involve their families, or take place in school or on the job.

One major influence is the family. People who start companies are more likely to come from families in which their parents or close relatives were in business for themselves. These older people were examples or "models" for the children. Whether they were successful or not probably didn't matter. However, for the children growing up in such a family, the action of starting a new business seems possible—something they can do.


Personal Characteristics of New Business Starters

Source: Cooper and Dunkelberg, *A New Look at Business Entry: Experiences of 1805 Entrepreneurs*

In the same way, many cultural groups, such as Jews in America, or Cuban immigrants in Miami, or the Chinese in Southeast Asia have a tradition of members starting new businesses. Sometimes, they have been prevented from working for others because of prejudice. Children growing up in such groups are surrounded by examples of entrepreneurship. They learn what is involved in working in businesses. It becomes easy for them to think of themselves as people who can start businesses also.

People who start companies seem to have certain psychological characteristics. They believe that they can control their own destinies. They are less likely to think that forces beyond their control, such as luck or fate, will determine their success. They believe that through their efforts, their determination, and their hard work they can make their businesses succeed.

Many entrepreneurs also tend to be goal-setters. They gain satisfaction from setting goals which are moderately challenging (but not impossibly difficult) and then achieving those goals. They see themselves as taking moderate risks in achieving their goals. To an outside observer, the process of starting a firm may seem to involve enormous risks. However, to the entrepreneur, who believes that he or she can make that business successful, the risks seem more moderate.

The age of the founder at the time he or she is interested in starting a business is also a factor. People of all ages start businesses, but many are in the age range of about 25 to 40. Younger people might have strong desires to start businesses, but often do not have the money or experience needed. Older people may have money and experience, but they also often have obligations to support families and may be reluctant to risk what they have achieved.

So we see that some backgrounds are most typical for entrepreneurs. However, this does not mean that people with other backgrounds cannot or do not start businesses. It is just that a certain background may make a person more prepared—more likely to take the step if the right opportunity arises.

All of this suggests that some people are more likely to start new businesses than others. Whether they actually do depends upon other factors which we shall now consider.

SOURCE: Reprinted from *Entrepreneurship: Starting a New Business* by Arnold Cooper. Copyright 1982 by National Federation of Independent Business.

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Entrepreneurs Are . . .—*Continued*

Motivation

Many people have the backgrounds and psychological makeups which could lead them to start new firms. Yet only some of these people ever take the step of giving up a job and investing their time and money in a new business.

One factor at work here involves what might be called dislocations or pushes. These are forces which cause a person to move out of a comfortable "rut." Why should anyone give up the security of a job for the uncertainties of trying to get a business started? It helps if the person is at a time of change —if the decision has already been made to give up a previous job or an existing lifestyle. Thus, immigrants such as the Cubans who have come to Miami are at a point of change in their lives. Workers who lose their jobs because of layoffs must decide what they will do next. Managers who are frustrated because their companies turn down their ideas or because they don't get a desired promotion may be determined to make a change. Often, a specific event will "trigger" the change. A person may foresee an approaching birthday and think, "I'll soon be forty. It's now or never." Or, a fight with the boss may move a person to a stage in which he or she begins to think, "What will I do next?"

Of course, most people who make changes in their lives don't start new businesses. Those who do take this step often have the characteristics listed earlier. They may also be influenced by what they know of others who have started businesses. If these are people they can identify with—relatives, fellow-employees, or friends—they are more likely to see this as something that they can do. Some families have a history of entrepreneurship; some industries, such as advertising, or construction, or the manufacture of electronic components, are noted for a high birth rate of new firms; some organizations have many employees leaving to start new firms. People who are involved in such families, industries, or organizations are surrounded by examples of what is involved in starting a company. Not only can they learn from others, they can see what is involved. For them, it is psychologically easier to take this step.

HO 1-7

Taking Control

Studies of entrepreneurship have been made in many cultures, in many countries, across a broad spectrum of industries and time periods. As the data accumulates a clearly etched pattern emerges. The Zulu and Xhosa entrepreneurs I worked with in South Africa, the Northern Italians, the Brazilians and the Texas PhD's express common reactions to the events in their lives and manifest similar motivations.

The primary, driving motivation of the entrepreneur is independence. The motivation of the entrepreneur is not money as is popularly assumed. In hundreds of interviews in many countries my colleagues and I have asked entrepreneurs how much money they would take to work for someone else, to become a manager in a corporation. No matter how they've complained about the difficulty of dealing with the economy, government regulations and the unions, the answer is always the same, "There is no way I will work for others!" or the answer is, "I will take 50 % of my current income and I will be in charge!" When asked what they would do if they lost their companies through some act of God, the answer is unhesitating, "Start another company." One study found that each of the heads of companies acquired by major corporations in the sample intended to leave and start another company.

It is interesting that a number of sociologists and economists who have had occasion to include entrepreneurs in their studies take exception to the statements of entrepreneurs who tell them that they value their independence. "No!" write the tenured scholars, "They're wrong! They are not free. They depend on their customers and the big companies and the economy. If they had the chance, they'd opt for jobs with security and fringe benefits." The scholars I refer to make such statements despite their surprise that many of those studied are skilled workers perfectly capable of obtaining employment in established companies.

How can we explain the power and attractiveness of this illusion of control over one's own life? Street hawkers in Monterrey, Mexico and Bombay, India love their independence, and, in response to questioners, claim they are happy. A Xhosa entrepreneur in South Africa expressed it all when asked how much money he would take to work for someone else. He answered, "I'll never wear another man's collar again." Those who take control of their own lives will not be imprisoned again for any length of time.

Based on my years of study I find each entrepreneur has made the decision to take control. Each knows he or she can change events. Each knows that one's life space can be affected by his or her actions. Nowhere is the entrepreneur's view of the world more clear than when it comes to taking risks. Conventional wisdom portrays the entrepreneur as a taker of risks, but is someone a risk taker who does not perceive the risk? The great majority of my entrepreneurs tell me they did not perceive much risk in starting their companies. The entrepreneur is not a cool and bloodless analyst calculating the odds of some venture for someone else's decisions and actions. The entrepreneur sees the odds as being affected by his or her personal intelligence, creativity, dedication and persistence.

Those individuals who make the vital decision to take control of their lives differ significantly from those who don't. Recent studies show that entrepreneurs tolerate ambiguity far more easily than corporate managers. They deal more easily with the messy world we inhabit. They survive without assurance of next week's schedule or next month's paycheck. Unlike corporate managers, entrepreneurs do not believe that powerful others control their lives, the sickness of captives. Entrepreneurs know that they may fail, but not because of powerful others. The record is rich with the stories of entrepreneurs who have failed more than once, but who have treated failure as a learning experience, and picked themselves up to start again.

Entrepreneurs are optimistic. They think the future can be good, and that they can make it so. Each new company formation is someone's personal commitment to the future, an act little affected by averages and probabilities. There is my 72-year old in Texas who started a solar energy company expecting to become the biggest factor in the field in ten years time. There are the three French engineering classmates in their 70's who started an engineering company. There is the Zulu in South Africa who started a shoe repair shop at the age of 102. Somehow, that Zulu was clearly not concerned with burnout or in need of a seminar on how to develop hobbies in his golden years.

Entrepreneurs are creative. Each new venture is in itself a creative expression requiring a host of innovations to keep it functioning in the face of the onrush of a thousand unexpected events. To survive the unknown future, to keep that first creativity alive, the entrepreneur is forced to take creative actions and thus to grow creatively since creativity is a characteristic that feeds on itself.

The entrepreneurial decision to take control affects every aspect of life. In a study of long term survivors of dire diseases, I find that they, like the entrepreneurs, do not believe their lives are controlled by powerful others. A similar outlook is found among managers under stress who do not get ill and among those suffering illness who most quickly return to work.

Entrepreneurs are not born, they become. Though some of my colleagues believe that entrepreneurs are born and the task of the teacher is to identify the elite and hone their skills, I tell you they are wrong. My erring colleagues suffer from a belief rooted in the Middle Ages when the teacher's task was to train the children of the lords to make moral decisions. That was a notion rightly rejected by those Americans who founded The Ohio State University and our other great, enriching land-grant colleges.

The characteristics that have been found to denote the entrepreneur from others are not genetically determined or fixed forever in one's earliest years. They are attained through experience. They are hopefully nurtured through education, and they are amenable to personal choice and decision. We humans have the unique capacity to decide, to choose many of the experiences that determine who we will be.

SOURCE: Reprinted from "Taking Control," a commencement address by Albert Shapero, December 1982, at The Ohio State University, Columbus, Ohio.

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The Displaced, Uncomfortable Entrepreneur

by Albert Shapero

Professor Albert Shapero is the William H. Davis Professor of The American Free Enterprise System, The Ohio State University, Columbus, Ohio. His duties include teaching courses in business policy, how management of firms of all sizes must work with the changing marketplace, the effect of government regulation on business, capital needs, and international competition.

Professor Shapero came to The Ohio State University from the University of Texas at Austin, where he was professor of management and served on the Business Research Committee, the Graduate Committee, and the Budget Council. He has written numerous papers and given many major addresses, both in the United States and abroad. In 1975, he served as co-chairman at the First International Meeting on Entrepreneurship and Economic Development.

THE FIGURE OF THE ENTREPRENEUR stands tall in American folklore and history. Most of us at one time or another muse about building a business, organizing a civic project, or putting together a new department at work. The vision is of how satisfying it would be to grab control of life, to be more than wage slave, to make events happen instead of waiting for the world to move and shake us.

Yet, in a country that still takes personal initiative and enterprise for granted, only 350,000 to 500,000 individuals per year actually start a new company. The rest of us content ourselves with Walter Mitty fantasies, or let the entrepreneurial dream fade into the bureaucratic inertia of our days.

My colleagues and I have spent several years trying to find out why some people become entrepreneurs while others with the same education, the same opportunities and the same incentives do not. We've studied hundreds of new company formations, as well as scores of new ventures that arise inside existing organizations through the talents of an entrepreneur. Though these events vary greatly, we can now identify some of the conditions and the kinds of personalities that are apt to make an entrepreneurial event occur.

Our primary focus has been on the launching of a new business, which is in many ways a most extraordinary kind of undertaking. When you go into business for yourself you trade off the familiar and the safe for the unknown and the risky. The new business is the only source of support for you and your family. You take on long-term financial obligations with money that belongs to relatives, friends, strangers and institutions. You have to work 14 hours a day, seven days a week, for the foreseeable future. And, after all that, the odds are you'll fail; although there are no reliable data, conventional wisdom says that two thirds of new businesses go under by the fifth year.

We now know specific conditions that lead people to take such a chance. The simplest route is falling on hard times. Most entrepreneurs are D.P.s, displaced persons who have been dislodged from some nice, familiar niche, and tilted off course. Sometimes they are D.P.s in the most literal sense; political refugees often produce a surge of company formations in their adopted country. The French refugees who left North Africa for France, the East Germans who escaped to West Germany, and the Cubans who fled to Miami are all known for their entrepreneurial energy. In 10 years or so we will probably be noticing the same thing about the refugees air-lifted from Vietnam.

A more common kind of displacement occurs when a person is fired, or the firm he works for brings in an outsider to fill the job he always thought was slated for him. The world, which until then was a pretty cozy place, suddenly caves in on him. Although the person may be able to find another job easily, he is bitter, insulted, and determined never to let others control him again. So he risks failure to get better control over his destiny.

Displacement can also be positive. For example, a friend approaches you with an attractive idea for a venture. Or there may be a combination of positive forces that pull the individual out of inertia, and negative forces that push him out of it. Whether he moves or not depends on how comfortable his pres-

SOURCE: Reprinted by permission of the publisher, from *Psychology Today*, November 1975, 83-86, 88, and 133.

The Displaced, Uncomfortable Entrepreneur—*Continued*

ent situation is and how much pushing and pulling he is subject to. In general, the negative is far more reliable than the positive as a prod to action.

In one set of studies we interviewed 109 people who had formed companies in Austin, Texas. They were founders of technical, accounting, advertising and publishing firms, and boat and hi-fi stores. In 65 percent of the cases, the sole or primary influence on the entrepreneur was negative. We heard the same comments over and over again: "I was fired"; "I was told I was going to be transferred to Hoboken by my company, and I just didn't want to go"; "I worked for the company for 10 years, day and night, and then they brought in their idiot son as my boss"; "My boss sold the company."

Only 28 percent of our informants recalled influences that were positive. They had been encouraged by friends and associates, and more important, by potential customers and backers. The remaining seven percent fell into a category we call nonemplacement, or "being between things." They had experienced a break in life pattern, such as finishing school or leaving the military.

A Magic Number. Displacement is not always the result of an external event. In a few instances, accounting for perhaps five percent of the total number of cases, an individual simply comes to realize that he has no future or really doesn't want to do his current job the rest of his life. When he tells why he went into business, he may mention a "magic number," usually 40 or 50: "I realized that within three months I was going to be 40, and it was now or never." Outside events may reinforce these feelings, but they do not cause them. Displacement is the result of an internal dialogue.

Other studies back up our findings. In countries all over the world, frustration with one's job, losing one's property because of war, or having one's plant shut down turns the individual into a displaced person and a potential entrepreneur. If he is a political refugee or gets fired, he cannot choose *not* to act. Otherwise he must respond to the pushing and pulling forces before he makes a decision. In these latter cases, individual characteristics are important in determining whether the person will take the initiative. Not everyone who has a boring or dead-end job is prone to feelings of displacement, and not everyone who feels like a D.P. is ready to go out and start a company.

One important personality characteristic of the entrepreneur is the degree to which he feels he can affect the world around him. In the psychological literature this is known as *locus of control*. Some people are said to be "external" because they believe the rewards they receive in life come from forces outside themselves—luck, fate, or other, powerful people. In contrast, some people are called "internal" because they feel they can influence the course of events for good or ill. Personal destiny, they feel, comes from within. Internals are apt to be relatively self-reliant and to want independence and autonomy. Most people are somewhere in between the two extremes.

Recently we gave a locus-of-control questionnaire to 101 Texan and 34 Italian entrepreneurs. We used measures from Julian Rotter's Internal-External (I-E) scale, on which scores can range from 0 (very internal) to 23 (very external) [see Julian B. Rotter, "External Control and Internal Control," *pt*, June 1971]. The average score for our 135 subjects was 6.58, which is much lower than the average scores of other groups that have taken the test. Indeed, to my knowledge, only Peace Corps volunteers have come out more internal.

The Italians in our study had an average score of 6.06, while the average for the Americans was 6.74. That is, the Italian entrepreneurs were more internal than the Americans. This is understandable, in light of the fact that in Italy, as in several other European countries, there is a bias against small companies. Italians tend to view the small businessman as a parvenu, whereas in our country he does not have to apologize. So a person in Italy has to be much more internal and self-reliant even to imagine forming a company.

External Business Students. Locus of control is also related to whether people think they might someday start a business. One of my associates, Candace Borland, studied 375 business-school students at the University of Texas, using a locus-of-control questionnaire devised by Hanna Levenson, and a separate questionnaire that measured the motivation to achieve. Borland found that, overall, students who expected to start a company someday did not have a stronger motive to achieve than other students did. What set them apart was that they had a strong belief in internal control, and a low belief in the ability of others to control their destinies.

In the popular mind, business schools are breeding grounds for entrepreneurs. If that is in fact their function, we would expect business-school students to be relatively internal. Not so. We gave the Rotter I-E scale to University of Texas business-school students and compared their scores to those of entrepreneurs in Italy and the United States. The students turned out to be much more external; their average score was 10.2. These results should not be too surprising to anyone familiar with the business-school ambiance. These are academies for corporate officialdom, and the Harvard Graduate School of Business is their West Point.

A related characteristic of the entrepreneur is a need for independence. In several of our studies we asked people who had formed companies what it would take to get them to be a manager or employee in another company. The majority, 58 percent, stated that they would not even consider working for someone else; the typical response was an indignant "Impossible!" Another 28 percent set up unrealistic conditions that no one was likely to meet, such as getting a 300 percent increase in salary and complete independence.

We also asked these subjects what they would do if they lost their companies. Most, 72 percent, replied that they would promptly start a new one. Indeed, many of the entrepreneurs we interviewed had already failed in at least one previous business. These failures apparently did not discourage them, but simply provided a learning experience.

Imaginable Acts. The desire for independence may be to some extent a result, rather than a cause, of being in business for oneself. Once free, the entrepreneur realizes what he was missing when he was a salaried employee living on someone else's payroll and by someone else's policy manual. But I believe it is also a cause. When people take the first step, they are motivated in part by a wish to be their own men or women.

Still, wanting to be independent is not enough. In order to undertake an enterprise that is new, different and unexpected, you must be able to imagine yourself in the role. That is, the act must be credible. Do you remember how we all used to assume that running the four-minute mile was a physical impossibility? Then Roger Bannister did the impossible, and soon he was followed by many others. The four-minute mile had become an imaginable act, one that could be accomplished.

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The Displaced, Uncomfortable Entrepreneur—*Continued*

Starting a new company often becomes credible when the potential entrepreneur spots another person like himself who has tried it. That other person is likely to be a parent—usually a father, sometimes a mother. In U.S. studies, the percentage of company founders whose parents were themselves company owners, free professionals, independent artisans or farmers has ranged between 50 and 58 percent. This is an unusually high number, given the fact that over the past decade and a half only seven percent of the nonagricultural work force claimed to be self-employed. In other countries the numbers are even more striking; in a study of Nigerian entrepreneurs, almost 89 percent of those studied had an independent father. In Borland's study of business-school students, having a father who built a company was more strongly related to the desire to start a company of one's own than any other factor considered. If your father was independent, you may be able to do without some of the characteristics usually associated with entrepreneurs. Company formers who are relatively external are especially likely to have fathers who are independent. The fourth son in a family in which each male has started a company does not have to be very internal to start his own business. In fact, he may need to be internal to choose a different path.

Familiarity Breeds Confidence. Our findings do not mean that the father's example is always followed deliberately or that independent fathers actively encourage their offspring to be entrepreneurial. When Jeffrey Susbauer interviewed men who had started technical companies, he asked them if their fathers had served as ideal models or had encouraged them to start their company. The usual answer was that their fathers had told them *never* to start a company and, indeed, most of the fathers had been unsuccessful.

Parents are not the only models. The budding entrepreneur may be influenced by another relative, a colleague or a classmate, especially if he perceives that person as no more capable or talented than himself. Time and again we've heard people who have worked in small companies say, "I looked at the boss and said to myself, if that dumb sonofabitch can start a company, I sure can." People whose friends or former colleagues have started companies make similar remarks. Familiarity breeds confidence through contempt.

While studying the development of technical companies in the Minneapolis-St. Paul area, we came across a perfect example of how a credible model can inspire people to start companies of their own. It seems that when William C. Norris, a vice-president of Univac, broke away to form Control Data Corporation, he had little effect on others. Apparently not many people could identify with the act of a vice-president. But then a group of engineers, far down the organizational line at Univac, broke away to form a company that would exploit certain digital-display techniques that the engineers couldn't convince their supervisors to use. After that, many new companies sprang up. People told themselves, "If those guys can do it, I sure can. After all, they are only engineers, like me."

In order to see starting a company as a credible act, it may also be necessary to be blind to some of the risks. We asked 60 entrepreneurs in Austin how risky their ventures had seemed at the time they first undertook them. Forty of them told us they had viewed the risk as minimal. Of course, they may have been affected by hindsight, but the results do make us wonder whether an entrepreneur perceives the same risks that a rational outsider would.

Certain situations foster the credibility of the entrepreneurial act. We have found, as have others, that those who form companies are more likely to come from small corporate divisions than from large units. Arnold Cooper, who studied technical company formations in an area south of San Francisco, calls small corporate divisions "incubators" for company founders. Not only do individuals in smaller units have a better opportunity to get an overview of the entire operation, they also are more likely to see that those who originally formed the firm in which they work are really very much like themselves. Thus it becomes possible for the potential entrepreneur to see himself in the role of company head.

Entrepreneurial Ethnics. It also helps to be Jewish—or a Palestinian, a Lebanese, an Ibo in Nigeria, a Parsi in India, a Chinese on our West Coast. It is no accident that these groups maintain their entrepreneurial tradition; they provide plenty of role models. Take the Jews. In 1933, there were about 650,000 Jews in Germany. Of those who worked, 46 percent were independent businessmen. In every country where they have settled, Jews have been disproportionately represented in business and the independent professions.

There are undoubtedly historical and cultural reasons that account for why members of certain groups originally became entrepreneurs. They may have been barred from paid employment and forced to go into certain kinds of business, or may have suffered frequent displacement because of political upheavals. It also seems to be true that groups that are "protected" or made to feel dependent, as blacks and women have been, do not produce their quota of entrepreneurs. In any case, if you are a member of an entrepreneurial ethnic group, you have that going for you.

To summarize, the person who wants to form a company needs to be, in some sense, a displaced person. It helps to have an internal locus of control, which disposes you to struggle for a hand in your environment, and it helps to have examples around of others who resemble you and have started companies, so that the act appears credible. But there is one other necessary ingredient: resources. You can't start a company without obtaining the labor, materials, equipment and facilities required for the venture, and to do so you must use either your own capital or someone else's. In times of recession and unemployment, despite the fact that there is plenty of personal displacement, the company-formation rate does not go up. There is too little venture capital available. Similarly, if there is too little capital in one area, companies may transfer to another. The automobile industry reputedly moved from various areas of the country to Michigan in response to the urging of a single banker who was interested in automobiles and who offered the industry financial support.

There has been quite a bit of publicity about venture-capital firms, which are in the business of investing in other businesses. These companies generally do not charge interest on loans, as banks or savings-and-loans do. Instead, they invest money for a share of the venture. According to a recent study for the National Science Foundation, venture-capital firms make an average of only 2.6 investments each year, and less than 15 percent of these are for new ventures. Most are "second-rounders"; they wait until a venture proves itself enough to need expansion money. Since there are only between 600 and 700 venture-capital firms, they can account for only about 250 start ups, at the most.

Adventuresome Loan Officers. Banks also

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The Displaced, Uncomfortable Entrepreneur—*Continued*

do not give much support to new enterprises, though there are some exceptional instances of loan officers extending personal loans to people with little collateral, for the purpose of starting a new company. We studied more than 200 loan officers in more than 40 banks in six states. We discovered that loan officers younger than 30 were least likely to make a venturesome loan; those between 30 and 39 were most likely to do so. Higher education, living in a big city, and having held a variety of jobs were all related to the bankers' willingness to support new and different ventures. Significantly, the more venturesome officers were likely to want to "take part in the action." They required more reporting, and were more likely than other officers to ask for specific managerial and financial actions as a condition for the loan. All this provides a strong hint that the venturesome loan officer is similar to a company former, and may himself be a species of entrepreneur.

Even if we take into account the various Government programs that aid small businessmen and minority-group entrepreneurs, it is clear that formal institutions provide very little capital for new companies. Most venture capital comes from the entrepreneur's own resources or from family and friends. This "earnest money" reassures bankers who often refuse to lend until an entrepreneur has locked himself in by mortgaging his home to the hilt and hustling everyone he knows. Such personal sources accounted for 90 percent of the initial financing for the new businesses we studied in this country and Italy. The rest comes from private investors who regularly invest in new companies, men often talked about in Texas as "good old boys."

We studied 39 of these informal venture capitalists in two Texas cities, and found they resembled the venturesome loan officers in terms of age, education, and job history. On the average each man made as many investments as the typical venture-capital firm—two or more a year. They differed in terms of the return they expected and the size of the share they demanded before making an investment, and they tended to have very personal preferences and biases. For example, one might specialize in food companies, while another leaned toward sporting-goods stores. Money is intimate.

These men were part of an informal network in which information on "deals" circulated. Numerous middlemen screened and channeled investment proposals for the investor. This dynamic social process is not one you will learn much about by reading the financial literature, yet it is a key factor in whether or not new companies come into being and survive. Communities that lack such a network are not likely to develop and keep new companies or attract the entrepreneurial individuals who create them.

I have been discussing only new company formations, but there are many other kinds of events that require initiative-taking, resource-organizing, risk-assuming and independence-seeking, and that we classify as entrepreneurial. These include starting a community theater, organizing a political or charitable group, or setting up a new unit within an existing organization.

Robert Driver studied entrepreneurship at Houston's NASA center. At the time of his study, employees at the center faced massive displacement due to a rapidly declining budget. Driver discovered that some managers reacted to this crisis by seeking and obtaining contracts with other Government agencies, such as the Department of Agriculture and the Department of Housing and Urban Development. Often these contracts totally altered the function of the group, and in these cases the manager might change the group's name to reflect its new identity. By exploiting opportunities outside the organization, entrepreneurial managers were able to obtain a degree of independence from the fate of NASA itself.

The NASA entrepreneurs were similar in many ways to people who start their own companies. They responded to displacement with action; the more vulnerable they were to cutbacks in program and budget, the more likely they were to take the initiative by reorganizing their groups. On the whole they were optimistic about the future, and their average score on Rotter's I-E scale was a very internal 2.6, compared to 7.5 for nonentrepreneurial managers.

Larry Secrest studied 28 wholly owned corporate subsidiaries—companies that are owned by other companies but are run independently. The men who had originally promoted the formation of these subsidiaries were not as likely as new company formers to attribute their actions to negative displacement. Rather, they tended to give corporate explanations, e.g., that they had wanted to form the subsidiary because it would help the company to diversify. But they did share other traits with other entrepreneurs. Nine had fathers who were self-employed, and seven had previously been in business for themselves. Some seemed to view the parent company as a kind of venture-capital firm, instead of as an owner. In two cases, when the subsidiary was absorbed back into the parent corporation, the head of the subsidiary quit. I suspect that these individuals had personal reasons for promoting the subsidiary, reasons that were entrepreneurial in nature, even though they used a corporate rationale to sell the idea.

My work in this country and abroad has convinced me that a sense of aliveness in regions, institutions and organizations is related to the number of entrepreneurial events that occur there. Psychologist David McClelland has shown that entire civilizations expand and contract, rise or fall, as a function of the "entrepreneurial motive" expressed in their art, fantasies and literature [see "Achieving Man," *PT*, January 1971]. While he identifies this motive as nAch, need for achievement, we find internal control to be a better indicator. We know that some cities, some organizations are more innovative, resilient and capable of responding to new challenges than are others. I'd like to think that the knowledge we are acquiring about entrepreneurship will eventually make it possible to turn a region or a town on by creating conditions that induce potential entrepreneurs to take action. Once there are enough credible examples around, the process should snowball without further pushes.

Another tactic for creating entrepreneurs is to demonstrate to individuals that they do have internal control. In my classes, I send students out to interview people who have formed real-estate-development firms, hi-fi stores and other businesses. They are always astonished to find that the people they talk to are no smarter or shrewder than they. Sometimes I even assign my students the task of planning a company and presenting the plan to financial people whom they must locate. Once they've been taken seriously by an investor, they take themselves seriously as potential entrepreneurs.

It is possible that today's bleak and uncertain economic situation will itself

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The Displaced, Uncomfortable Entrepreneur—*Continued*

generate a new crop of entrepreneurs, because so many people are undergoing displacement. Certainly we could use more entrepreneurs. We already have plenty of well-educated functionaries who are convinced that they are externally controlled and powerless. For society, as well as for the individual nothing ventured, nothing gained.

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Shapero's Laws

SHAPERO'S LAWS

What makes sane persons start — and keep running — their own businesses? Al Shapero gives us reasons . . . and hope.

Jerome Goldstein

IN ANY CAREFUL analysis of what makes entrepreneurs tick, the name of Albert Shapero will probably come up.

What gives Shapero a special place among entrepreneurial researchers is his insight into past and present human behavior, and his prowess to communicate his findings lucidly and imaginatively. Shapero is Professor of the American Free Enterprise System at Ohio State University, who happens to believe that free enterprise is too important to leave to the Neanderthal types in (or out of) Big Corporate America. He has written on such wide-ranging topics as "The Role of the Financial Community in the Growth of Technical Companies in Texas," "Counterculture Entrepreneurs," "Technical Entrepreneurship in Northern Italy," "Social Dimensions of Entrepreneurship," as well as "Have You Got What It Takes to Start Your Own Business?" — the latter directed to the women executives of *Savvy* magazine. He has proved the business start-up proclivities of America's immigrants and the importance of "displacement" in bringing about an entrepreneurial event.

Here are some excerpts from his writings:

> The world is essentially 'messy' and does not conform itself to the particular rigidities of a particular socio-cultural period. Hence, the formation of the entrepreneurial events necessary to deal with the unclassified and unexpected during the Middle Ages was left by default to groups that did not fit into any of the established 'classes'. The Jews did not fit, and took over many unclaimed or unsanctioned activities: money-lending, dealing in waste materials, innovating (the guilds forbade the use of new techniques, and the Jews were not permitted to join the guilds), advertising, cutting prices (forbidden by guilds but welcomed by customers, including the nobility), giving credit. The 'outsiders' could only survive by innovating new roles or by performing roles considered outside or beneath the domain of established groups or that were illegal but necessary (and therefore just tolerated).

According to Shapero, refugees clearly belong to the groups associated with greater entrepreneurial activity. Recent examples include the Cubans in the U.S. who have transformed the economy of Florida, the *pieds noirs* ("black feet") — the displaced French colonists from Algeria, Tunisia and Morocco — who have created thousands of businesses in France — and the latest wave in the U.S., the Indo-Chinese. Shapero cites the interplay of social and cultural factors, reflected historically by the fact that refugees are more likely to start businesses in their new location rather than if they had remained in their own countries, and even more so in the U.S. than if, for example, they had gone to France.

The road to starting one's own business, explains Shapero, is paved with positive and negative forces. However, negative displacements precipitate far more company formations than do positive factors. ("It takes a powerful force in a new direction or the summation of many detracking forces before an individual is pushed to or consciously opts for a major change of life path.") In studies of 109 company formations in Austin, Texas (technical companies, accounting firms, publishers), Shapero found that 65 percent of the influences leading to the start-up of a new company were classified as negative — "getting fired . . . boss sold the company . . . organizational changes . . . transferred but didn't want to leave the city . . . no future . . . didn't like the job."

> Some displacements are internal to the entrepreneur in that they are generated without reference to anything but the passage of time. One recurring precipitator of company formations can best be referred to as 'traumatic birthdays' or 'magic numbers'. The entrepreneur replies to the interviewer, 'I realized I was going to be 40 years old within three months. It was now or never.' Other such numbers given are 30 or 50 years old. Internally generated displacement related to perceptions of the passage of time has been also described as the mid-life crisis; a period in middle life, defined differently by different writers, in which there is large disaffection with one's life, and which, in recent years, has led to the phenomenon of 'dropping out'

Refugees clearly belong to the groups associated with greater entrepreneurial activity.

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Shapero's Laws—*Continued*

> and into a variety of life paths quite different from those pursued to date. Evidence for the existence and power of this period of crisis is found in a variety of sources.

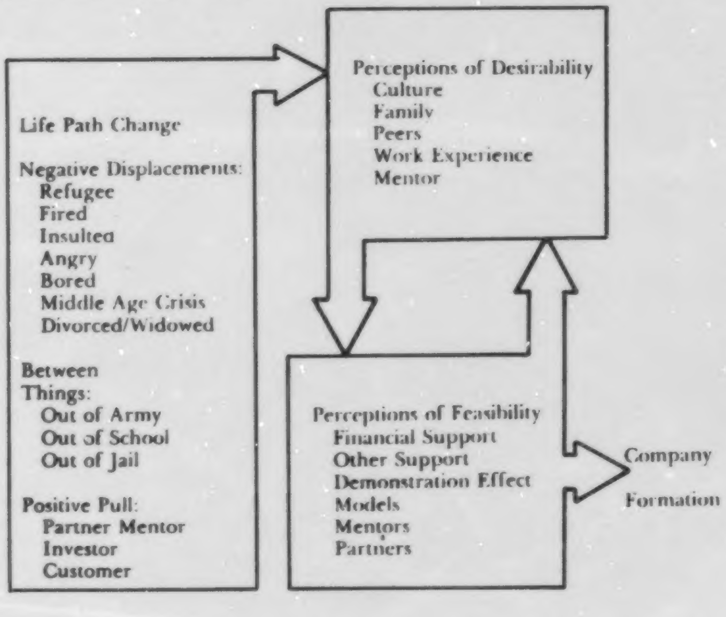
Eight years ago, while studying small business owners in Milan, Italy, Shapero found that 56 percent of the entrepreneurs had "independent parents." That is, their parents tended to be company owners, free professionals, independent artisans or farmers. His results — backed up by investigations in this country — support his contention that "the family, particularly father or mother, plays the most powerful role in establishing the desirability and credibility (hence, feasibility) of entrepreneurial actions for an individual."

> Another powerful influence on the perceptions of the nascent entrepreneur is that of a mentor. The mentor plays the part of convincing, assuring, instructing the nascent entrepreneur, thus making the entrepreneurial event both desirable and feasible. Unlike the peer who one can look down on, the mentor is someone respected and looked up to. When I asked a South African black businessman how he happened to go into business, he told me he had worked for a Jewish businessman who told him he could do it. The same was heard from an Ohio college graduate who was convinced by an elderly, respected friend that he could do it. Extension agents, teachers, respected elderly friends, all play the powerful role of mentor in establishing perceptions of desirability, credibility and feasibility with regard to entrepreneurial formations.

Both in person and in his writings, Shapero cuts through the jargon, mythology and hype ordinarily associated with Entrepreneurship. In reviewing the dismal record of corporate-sponsored entrepreneurship to overcome bureaucratic inertia, he recalls an executive's unequivocal judgment: "We have found that entrepreneurs make lousy managers." The real problem, counters Shapero, is that "grafting an entrepreneurial venture onto a corporate body, especially an ailing one, triggers a rejection mechanism like the one that accompanies organ transplants: the corporate body isolates and eventually rejects the entrepreneurial intrusion into its system."

People don't want
to live in a state
of equilibrium . . .
Human beings are poetic,
irascible animals.

ENTREPRENEURIAL EVENT FORMATION PROCESS



> In most corporate managements, business schools and writers of books on how to go into business for yourself, 'the idea' comes first. Their notion is that given the right idea backed by good market research and careful projections imbedded in a business plan . . . well, there you are! . . . In about 20 studies of hundreds of company formations, my graduate students and I found a large number of cases where a company had started with an idea that later failed. Nonetheless, an organization remained which was functioning profitably, delivering products or services in the marketplace. Standard analyses cannot estimate the effects of a dedicated individual who responds to events by modifying, improvising and adding 'sweat equity' to the final success of the venture. Furthermore, many successful entrepreneurs have failed at least once before succeeding. Henry Ford failed twice before he succeeded . . . No test will assure you that an individual will be an entrepreneur before the fact.

Shapero's Laws

It should be clear by now that Shapero's expertise in free enterprise and the entrepreneurial spirit emanates from his sensitive appreciation of human nature. And that appreciation has led to the formulation of SHAPERO'S LAWS:

1. **No Matter How Many Problems You Take Off The Back of A Human, That Person Will Take On A New Load Equal to The Relief.**

People are problem-seeking creatures and, if healthy, seek to be completely engaged. A member in a smooth-running operation begins to go around kicking things to stir something up.

> I'm extremely serious. I get irritated with all the homeostatic behavior emphasis. People don't want to live in a state of equilibrium even though the clinical psychologists would have us believe that nonsense. Human beings are poetic, irascible animals. They want to

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Shapero's Laws—*Continued*

> be engaged. They're not goddam machines that runs automatically. We know the value of what the poet Louis Simpson has written: ". . . Grant what I ask. Bring evil on the land that I may have a task."

2. No Matter How You Design A System, Humans Will Make It Work Anyway.

The human animal is the end product of two million years of evolution. Consequently, humans are the incredibly competent survivors of that process. Because of their good intentions and amazing capability, they make everything work. Proof of Shapero's Second Law is found by turning it around: When humans want to bring a system to a complete halt, all they have to do is follow the rules and procedures exactly. The Second Law is completely antithetical to Murphy's Law, which assumes that humans will make everything fail.

> I get especially irritated at the computer mentality that exudes superiority, and I'm anti-Murphy's Law — and also anti-O'Shaughnessy's Law which says Murphy was an optimist. Humans are marvelous critters, well-meaning too. They'll make something work through all kinds of improvising.

3. If You Help People with The Problems That They Think They Have, They May Even Let You Help Them with The Problems You Think They Have.

This is a law for would-be humanitarians who constantly are concerned with what people need and never question what they want. Thus, they end up blaming the recipient of their attentions for being ignorant, badly motivated, incompetent, or just downright evil.

> Some years back, I was lecturing to a class on small business management in Brazil. The first question I got was 'How do we change the behavior of small businesspersons so we can help them? That's bull — although that question is usually the one first asked by well-meaning humanitarians. If you expect people to be decent and behave decently, they live up to it.

4. Companies That Plan Do Better Than Companies That Don't, *But* They Never Follow Their Plan.

The world is a great big open system with millions of variables interacting in intricate ways. Some Japanese inventor is completing a dream in a garage that may destroy your industry tomorrow. He, your competitor and God did not fit in your planning exercise. It is the ultimate of conceits to think that the world can be encompassed in the plan which is a product of your desires and limited knowledge.

* * * * *

Al Shapero refers to himself as "a scar-tissued romantic idealist." He also happens to be — in our opinion — today's most effective and sophisticated analyst of entrepreneurial behavior.

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Entrepreneurship Self-assessment Profile Guide

Instructions: The 50 questions have been grouped into three categories: personal background, behavior patterns, and life-style. Each question addresses specific areas that relate to entrepreneurs; these areas are noted in the parentheses following each question. The answers you see here are what studies show to be the responses commonly given by small business owners. You will want to compare your answers from the survey to what is shown here for similarities and conflicts. After you have done this, answer the questions at the end of this profile guide.

	Rarely or No	Mostly or Yes
Personal Background		
5. Has someone in your family shared the experience of starting a business with you? (family training)		X
7. Do you get sick often? (attitude, energy, health)	X	
9. Have you ever been fired from a job? (displacement experience)		X
12. Did you like school? (education)		X
13. Were you a very good student? (average is common)	X	
14. Did you run with a group in high school? (independence)	X	
15. Did you participate in school activities or sports? (need to achieve)		X
19. Were you the firstborn child? (responsibility)		X
20. Was your father mostly present during your early life at home? (early responsibility)	X	
21. Were you expected to do odd jobs at home before 10 years of age? (early experience)		X
Behavior Patterns		
1. Do you worry about what others think of you? (self-confidence, locus of control)	X	
3. Do you take risks for the thrill of it? (risk taking, internal locus of control)		X
4. Do you find it easy to get others to do something for you? (leadership)		X

Entrepreneurship Self-assessment Profile Guide—*Continued*

	Rarely or No	Mostly or Yes
Behavior Patterns—*Continued*		
6. Do you believe in organizing your tasks before getting started? (management, goal setting)		X
8. Do you enjoy doing something just to prove you can? (achievement oriented)		X
10. Do you find yourself constantly thinking up new ideas? (creative, innovation)		X
16. Do you like to take care of details? (impatience, risk oriented)	X	
17. Do you believe there should be security in a job? (internal locus of control)	X	
18. Will you deliberately seek a direct confrontation to get needed results? (determination, assertiveness)		X
22. Do you get bored easily? (impatience, energy)		X
23. Are you sometimes arrogant about your accomplishments? (self-confidence, independence)		X
24. Can you concentrate for extended periods of time on one subject? (perseverance, determination)		X
25. Do you, on occasion, need pep talks from others to keep you going? (self-starter, self-control)	X	
26. Do you find unexpected energy resources as you tackle things you like? (energy, resourcefulness)		X
27. Does personal satisfaction mean more to you than having money to spend on yourself? (egotism)		X
29. Have you ever deliberately exceeded your authority at work? (self-confidence, assertiveness)		X
30. Do you try to find the benefits of a bad situation? (optimism, flexibility)		X
31. Do you blame others when something goes wrong? (personal ability, problem solving)	X	

Entrepreneurship Self-assessment Profile Guide—*Continued*

Behavior Patterns—*Continued*

	Rarely or No	Mostly or Yes
32. Do you enjoy tackling a task without knowing all the potential problems? (resourcefulness, risk taking)		X
33. Do you persist when others tell you it can't be done? (optimism)		X
34. Do you take rejection personally? (flexibility, self-confidence)	X	
35. Do you believe that you generally have a lot of good luck that explains your successes? (internal locus of control)	X	
37. Do you enjoy being able to make your own decisions on the job? (independence, responsibility)		X
38. Did you wake up happy most of your life? (optimism)		X
39. Can you accept failure without admitting defeat? (determination, optimism)		X
41. Do you believe that entrepreneurs take a huge risk? (self-confidence, internal control)	X	
42. Do you feel that successful entrepreneurs must have advanced college degrees? (resourcefulness, initiative)	X	
43. Do you strive to use past mistakes as a learning process? (initiative, optimism)		X
45. Do you find that answers to problems come to you out of nowhere? (foresight, perceptiveness, persistant)		X
46. Do you enjoy finding an answer to a frustrating problem? (tolerance of ambiguity, initiative)		X

Life-styles

	Rarely or No	Mostly or Yes
2. Do you read books? (time not available)	X	
11. Do you prefer to let a friend decide on your social activities? (control, responsibility)	X	

HO 1-10

Entrepreneurship Self-assessment Profile Guide—*Continued*

	Rarely or No	Mostly or Yes
Life-styles—*Continued*		
28. Do you enjoy socializing regularly? (goal oriented, time management)	X	
36. Are you likely to work long hours to accomplish a goal? (persistence, determination)		X
40. Do you have a savings account and other personal investments? (profit oriented)		X
44. Are you more people oriented than goal oriented? (need to achieve)	X	
47. Do you prefer to be a loner in your final decision? (independence, self-confidence)		X
48. Do your conversations discuss people more than events or ideas? (idea oriented, creativity)	X	
49. Do you feel good about yourself in spite of criticism of others? (tolerance of ambiguity, self-confidence)		X
50. Do you sleep as little as possible? (time management, energy)		X

Answer these questions:

1. What personal weaknesses did you discover?
2. Can you be an entrepreneur with these weaknesses?
3. What can you do to improve your areas of weakness?

Entrepreneurship Self-assessment Profile Guide—*Continued*

4. What are your strengths?______________________________

5. Do your strengths make up for your weaknesses?______________________________

6. Is your life-style compatible with the demands upon an entrepreneur? ______________________________

CLASS OBJECTIVES

- START YOUR OWN BUSINESS
- FIND A JOB TO PROVIDE MORE EXPERIENCE **BEFORE** STARTING YOUR BUSINESS
- GO TO SCHOOL TO BUILD SKILLS **BEFORE** STARTING YOUR OWN BUSINESS
- DECIDE THAT STARTING YOUR OWN BUSINESS IS NOT FOR YOU

WHAT IS AN ENTREPRENEUR?

AN ENTREPRENEUR IS AN INDIVIDUAL WHO UNDERTAKES ALL THE RISKS RELATED TO FORMING AND OPERATING A SMALL BUSINESS. THIS INVOLVES PERFORMING ALL BUSINESS FUNCTIONS ASSOCIATED WITH A PRODUCT OR SERVICE AND INCLUDES SOCIAL RESPONSIBILITIES AND LEGAL REQUIREMENTS.

REASONS FOR BUSINESS FAILURE

1. LACK OF EXPERIENCE
2. LACK OF CAPITAL
3. POOR LOCATION
4. TOO MUCH INVENTORY, PARTICULARLY THE WRONG KIND
5. EXCESSIVE PURCHASE OF PERMANENT EQUIPMENT
6. POOR CREDIT-GRANTING PRACTICES
7. UNWARRANTED PERSONAL EXPENSES
8. UNPLANNED EXPANSION
9. FAULTY ATTITUDES
10. HEAVY EXPENSES
11. POOR COLLECTIONS
12. INADEQUATE SALES
13. INCORRECT INVENTORY MANAGEMENT
14. COMPETITIVE WEAKNESS

PERSONALITY FACTORS OF SELF-EMPLOYED PERSONS

1. SELF-CONFIDENCE
2. PERSEVERANCE, DETERMINATION
3. ENERGY, DILIGENCE
4. RESOURCEFULNESS
5. ABILITY TO TAKE CALCULATED RISKS
6. NEED TO ACHIEVE
7. CREATIVITY
8. INITIATIVE
9. FLEXIBILITY
10. POSITIVE RESPONSE TO CHALLENGES
11. INDEPENDENCE
12. FORESIGHT
13. DYNAMISM, LEADERSHIP
14. VERSATILITY IN KNOWLEDGE
15. ABILITY TO GET ALONG WITH PEOPLE
16. RESPONSIVENESS TO SUGGESTIONS AND CRITICISM
17. PROFIT ORIENTATION
18. PERCEPTIVENESS
19. OPTIMISM

UNIT 2

Evaluating Business Skills

UNIT 2

Title:

EVALUATING BUSINESS SKILLS

Purpose: This unit is designed to help participants recognize the skills needed by self-employed persons for successful operation of small businesses and to help them identify where those skills are learned.

Objectives: Upon completion of this unit, participants will—

- have an awareness of the different skills needed to start and maintain a small business successfully,
- have identified possible experiences in which they have acquired needed business skills, and
- have identified specific business skills they possess and areas in which they need technical assistance.

Materials: List of job-related experiences (homework from unit 1)

Handout 2-1: Business Skills Inventory
Handout 2-2: Business Skills Sample
Handout 2-3: What Technical Assistance Do You Need?

Transparency 2-1: Business Skills
Transparency 2-2: Managing Money
Transparency 2-3: Managing People
Transparency 2-4: Business Operations
Transparency 2-5: Sales Operations
Transparency 2-6: Marketing
Transparency 2-7: Setting up a Business

Product: Business Skills Inventory

Assignment: Complete inventory of business skills.

Complete HO 2-3: What Technical Assistance Do You Need?

Notes to Instructor: This unit will need to be individualized for each participant. Help participants see how their list of job-related experiences can help them discover their skills.

The inventory of business skills was designed with two purposes in mind. After completing the inventory, participants should have a list and categorization of the skills they possess and a list of areas of weakness.

Estimated Time:	Where we learn business skills	60 minutes
	Where we develop technical expertise	45 minutes
	Business skills needed	45 minutes
	Evaluating business skills	25 minutes
	Assignment	5 minutes

CONTENT	PROCESS
A. Where Do We Acquire Business Skills?	Define *business skills*.
For the purpose of this course, business skills will be defined as those skills necessary for the successful operation and maintenance of a small business operation. Examples of business skills identified by the authors of *PACE (Revised)*[*] include the following:	Ask participants to name business skills they think would be valuable for an owner of a business operation.
• Developing the business plan • Obtaining technical assistance • Choosing the type of ownership • Planning the marketing strategy • Locating the business • Financing the business • Dealing with legal issues • Complying with government regulations • Managing the business • Managing human resources • Promoting the business • Managing sales efforts • Keeping the business records • Managing the finances • Managing customer credit and collections • Protecting the business	Present TP 2-1: Business Skills.

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[*] M. Catherine Ashmore and Sandra G. Pritz, comp., *Program for Acquiring Competence in Entrepreneurship (PACE), Revised*, Research and Development Series no. 240 (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982).

CONTENT

(For further assistance in discussing these topics refer to *PACE*. See a description of this material in the introduction for this instructor's guide. Ordering information is on the inside of the back cover.

1. **Job Experience**

Our work history is a valuable educational resource. For example, working as a cashier teaches one the following:

- How to operate a cash register
- How to make change
- How to deal with the public

Working as an accountant teaches one the following:

- How to prepare financial statements
- How to make financial projections and manage money

Working for an entrepreneur helps one understand the total process and skills for operating a business.

2. **Club Activities**

We learn a lot from our volunteer activities as well. Here are some examples:

- Conducting fund-raising activities
- Promoting an organization through public service and free advertising
- Managing and coordinating members of a club or organization

3. **Education**

A more traditional training ground is your school experience. Some examples of applicable skills learned in this setting are as follows:

PROCESS

Ask for examples of some of the things participants have learned on particular jobs that would be useful in running a business.

Ask for other examples.

CONTENT	PROCESS
• Business skills (from business class)	
• Socialization and communication skills (from all school activities)	
• Bookkeeping and record-keeping skills (from accounting class)	Ask for other examples.
4. Listening to Friends	
Our peers can also teach us much about business skills. Some examples of subject areas are these:	
• Employee relations	
• Sources of financing	
• Site location information	
• Promotional strategies	
• Investment opportunities	Ask for other examples.
5. Family Relationships	
If you grew up with a family entrepreneur, you had a school around you at all times. You probably do not even know what you were learning. Some examples of what you might have learned are these:	
• How to deal with challenges and problems	
• How to make sacrifices and why	
• How to keep personal life and business life separate	
• How to be responsible with money	Ask for other examples.
6. At Home	
Our everyday home experiences give us many business skills. Some examples of skills are these:	

CONTENT	PROCESS
• Budgeting income	
• Planning finances	
• Organizing	
• Buying wisely	
• Managing and dealing with people	
• Selling an idea	Ask for other examples.
B. Where Do We Acquire Technical Skills?	
Knowing how to run a business is a critical part of entrepreneurship. However, an equally important part is developing skills in a special interest area that leads to your own particular expertise in a business field.	
Research shows that most people start businesses in the occupational area for which they have experience or training. It is only logical that we build on what we already know.	
There are many ways we can build our product or service technical expertise.	Discuss where we get technical expertise.
1. Education	
One way to develop our personal interests is by taking classes or courses. For example, one could take courses in these special interest areas:	
• Accounting	
• Cosmetology	
• Management	
• Engineering	
• Auto body repair	
• Medicine	

CONTENT	PROCESS
• Agriculture	
• Carpentry	Ask for ideas from the class.
2. Job Experience	
We learn many technical skills on the job. Examples would be these:	
• Working for a mechanic teaches technical skills needed to run an auto repair business.	
• Working as an accountant for a large firm helps refine mathematical skills needed to run one's own firm.	Ask for ideas from the class.
3. Hobbies and Special Interests	
Our own lives are an education. Some examples of hobbies that teach us skills are these:	
• Photography	
• Crafts	
• Gardening	
• Sports, dancing, fitness, and aerobics	Ask for ideas from the class.
These are all hobbies from which skills learned can be transferred to a business. For example, one could open a lawn and garden center or a landscaping firm if one had an interest and expertise in gardening.	
4. Relatives and Friends	
Skills or advice may be sought from friends or family members. You can learn about business ideas from the expertise of close friends. They may even join you in the business.	

CONTENT	PROCESS
C. What Business Skills Are Needed by Small Business Owners?	Use TP 2-2: Managing Money.
1. Managing Money	Add to the items already listed on the transparency.
• Borrowing money	
• Keeping records	
• Analyzing money problems	
• Planning to cover payment on purchases	Ask the class to discuss their money management skills.
• Buying wisely	
• Avoiding losses	
• Handling credit	
• Figuring taxes	
• Buying insurance	
• Determining government social benefits	
• Budgeting	
2. Managing People	Use TP 2-3: Managing People.
• Hiring employees	
• Supervising employees	
• Training employees	
• Evaluating employees	List participants' ideas about what they have learned from managing people.
• Motivating people	
• Scheduling workers	
• Coordinating volunteer groups	
3. Directing Business Operations	Use TP 2-4: Business Operations.
• Buying supplies	

CONTENT	PROCESS
• Buying equipment	
• Buying merchandise	
• Managing inventory	List participants' ideas about needed business operations skills.
• Filling orders for products and services	
• Managing facilities	
4. Directing Sales Operations	Use TP 2-5: Sales Operations.
• Identifying different customer needs	
• Thinking about product for various customer needs	List participants' ideas on sales operations skills that are needed.
• Planning to obtain necessary sales to cover costs	
• Preparing to answer customer objections and asking for the sale	
• Teaching others how to sell	
5. Marketing	Use TP 2-6: Marketing.
• Developing new ideas for products or services	
• Analyzing community needs	List participants' ideas on marketing skills that are needed.
• Analyzing potential customers	
• Deciding prices for products or services	
• Developing promotional strategies	
• Designing promotional materials	
• Purchasing media space	
6. Setting up a Business	Use TP 2-7: Setting up a Business.
• Choosing a location	

CONTENT	PROCESS
• Obtaining licenses and permits	List participants' ideas on business setup skills that are needed.
• Determining initial inventory	
• Obtaining financing	
• Planning long-term cash flow	
• Choosing the type of ownership	
• Working with a lawyer and CPA	
D. Where Have You Acquired Business Skills?	
Use HO 2-1 to identify your business skills by looking at past jobs, education, club experiences, life experiences, and so on. The job-related experiences list that you have been working on will help in this task. Also, look at HO 2-2 for examples.	Distribute HO 2-1 and 2-2: Business Skills Inventory and Business Skills Inventory Sample.
	Ask class members to identify their own business skills from analysis of past jobs, education, club activities, life experiences, and so on.
	Ask class members to identify their strongest skill areas as follows. For example, ask such questions as,
	"All who have a background in money management please raise your hand."
	If time does not permit to finish, ask participants to complete their personal skills inventory before the next class.
E. Assignment	
HO 2-3 will help you further identify those areas in which you might need technical assistance. Use this handout to complete the activity you've started here.	Distribute HO 2-3: What Technical Assistance Do You Need?

Business Skills Inventory

Use this form to develop an inventory of your business skills in each of the categories listed. Use the list of job-related experiences to help you recall activities that provided you with these skills. Your level of expertise may be anything from 1 (minimal) to 5 (a great deal).

1.

Managing Money	**Where Learned**	**When**	**Expertise (1-5)**

2.

Managing People	**Where Learned**	**When**	**Expertise (1-5)**

Business Skills Inventory—*Continued*

3. Directing Business Operations	Where Learned	When	Expertise (1-5)

4. Directing Sales Operations	Where Learned	When	Expertise (1-5)

Business Skills Inventory—*Continued*

5.

Marketing	Where Learned	When	Expertise (1-5)

6.

Setting up a Business	Where Learned	When	Expertise (1-5)

HO 2-2

Business Skills Inventory Sample

1. Managing Money	Where Learned	When	Expertise (1-5)
Prepare family budget	Home	20	4
Borrowing money	Home		
Handling Credit	School		
Buying insurance	Home		

2. Managing People	Where Learned	When	Expertise (1-5)
Delegate duties	As pres. of Lions club	1975	3
Motivating people	Previous job		
Motivating people	Home	1975-80	5
Employer Relations	Talking to friends	Presently	4

3. Directing Business Operations	Where Learned	When	Expertise (1-5)
Obtaining licenses, permits for student council concession stand	School	Sr. Yr.	4
Obtaining financing to purchase home	Home	1972	3

4. Directing Sales Operations	Where Learned	When	Expertise (1-5)
Sell new ideas to boss	Work	last job	5
Sold clothes in department store	Work	H.S.	4

5. Marketing	Where Learned	When	Expertise (1-5)
Designed newspaper and radio ad for a product	College	1970	2
Implemented promotional strategies for band booster fund-raiser	Club		

6. Setting up a Business	Where Learned	When	Expertise (1-5)
none			

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HO 2-3

What Technical Assistance Do You Need?

The following questions will help you assess your strengths and weaknesses as an entrepreneur in each of the Management Categories. If your answer to a question is "Yes," count it a strength. If your answer is "No," consider your skill and experience for that task a weakness.

I. Manufacturing and Production (Answer questions in this category only if you are manufacturing or producing a product from raw materials.)

	Strength Yes	Weakness No
1. Do you know how to plan how much you will manufacture or produce?	____	____
2. Are you familiar with the manufacturing or production processes?	____	____
3. Are you able to make decisions about plant location?	____	____
4. Are you able to plan manufacturing or production space efficiently?	____	____
5. Are you skilled at planning for materials handling?	____	____
6. Can you handle the procedures and problems related to traffic and transportation?	____	____
7. Do you know how to provide for warehousing?	____	____
II. Marketing Management		
1. Can you locate your potential customers and develop a profile of their buying habits?	____	____
2. Can you analyze your competition?	____	____
3. Can you develop a selling plan?	____	____
4. Have you identified the selling techniques you will use?	____	____
5. Can you develop and manage a sales promotion plan?	____	____
6. Are you skilled in conducting marketing research studies?	____	____
7. Do you know how to develop a product purchasing plan?	____	____
8. Are you experienced in purchasing?	____	____

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Instructor's Guide," Level 2, Research and Development Series no. 240 BA, *Program for Acquiring Competence in Entrepreneurship (PACE) Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 173-174

What Technical Assistance Do You Need?—*Continued*

	Strength Yes	Weakness No
9. Are you familiar with pricing procedures?	_____	_____
10. Can you plan and manage the physical distribution plan?	_____	_____
11. Do you know how to develop marketing strategies for your business?	_____	_____
12. Do you know where to get help with advertising?	_____	_____
13. Is your inventory system efficient?	_____	_____
14. Do you know how to select and deal with suppliers?	_____	_____
15. Can you make the necessary decisions about location, buildings, and equipment?	_____	_____
III. General Organization and Management		
1. If you need to hire an employee to help you, do you know how to search for and select one?	_____	_____
2. Do you know how to develop job descriptions for your firm?	_____	_____
3. Are you familiar with procedures for determining salaries, wages, and employee benefits?	_____	_____
4. Can you develop a personnel training program?	_____	_____
5. Are you skilled at supervising others?	_____	_____
6. Do you know how to appraise employees' performance?	_____	_____
7. Are you familiar with methods for motivating employees?	_____	_____
8. Do you know how to develop work schedules for yourself and your employees?	_____	_____
9. Do you know how to develop and manage company policy?	_____	_____
10. Can you plan a comprehensive security program?	_____	_____
11. Do you know a lawyer who can advise you on legal matters?	_____	_____
12. Can you set up and manage an information or recordkeeping system?	_____	_____
13. Do you know how to plan and manage public relations?	_____	_____

What Technical Assistance Do You Need?—*Continued*

	Strength Yes	Weakness No
14. Are you experienced in long-range and short-range planning?	____	____
15. Can you develop a business plan?	____	____
IV. **Financial Management**		
1. Do you know how much money you need to start up your business?	____	____
2. Can you develop the financial statements that are necessary for every business?	____	____
3. Do you know how to determine how much financing you need?	____	____
4. Do you know how much credit you can get from suppliers? How much you can borrow?	____	____
5. Can you figure whether your business is profitable?	____	____
6. Can you manage credit and collections?	____	____
7. Can you set up and keep your financial record system?	____	____
8. Do you know how to figure depreciation?	____	____
9. Can you manage your taxation program?	____	____

BUSINESS SKILLS

DEVELOPING THE BUSINESS PLAN

OBTAINING TECHNICAL ASSISTANCE

CHOOSING THE TYPE OF OWNERSHIP

PLANNING THE MARKETING STRATEGY

LOCATING THE BUSINESS

FINANCING THE BUSINESS

DEALING WITH LEGAL ISSUES

COMPLYING WITH GOVERNMENT REGULATIONS

MANAGING THE BUSINESS

MANAGING HUMAN RESOURCES

PROMOTING THE BUSINESS

MANAGING SALES EFFORTS

KEEPING THE BUSINESS RECORDS

MANAGING THE FINANCES

MANAGING CUSTOMER CREDIT AND COLLECTIONS

PROTECTING THE BUSINESS

MANAGING MONEY

- BORROWING MONEY FROM THE BANK
- KEEPING EXPENSE AND INCOME RECORDS
- ANALYZING MONEY PROBLEMS
- PLANNING TO COVER PAYMENTS DUE ON PURCHASES
- BUYING WISELY
- AVOIDING LOSSES
- HANDLING CREDIT
- FIGURING TAXES
- BUYING INSURANCE
- DETERMINING GOVERNMENT SOCIAL BENEFITS
- BUDGETING
-
-
-
-
-

MANAGING PEOPLE

- HIRING EMPLOYEES
- SUPERVISING
- TRAINING OTHERS
- EVALUATING THE WORK OF OTHERS
- MOTIVATING PEOPLE TO CARRY OUT THE WORK
- SCHEDULING WORKERS
- COORDINATING VOLUNTEER GROUPS
-
-
-
-
-

BUSINESS OPERATIONS

- BUYING SUPPLIES
- PURCHASING EQUIPMENT
- BUYING MERCHANDISE FOR SALE
- MANAGING INVENTORY
- FILLING ORDERS FOR PRODUCTS OR SERVICES
- MANAGING FACILITIES
-
-
-
-
-

SALES OPERATIONS

- IDENTIFYING DIFFERENT CUSTOMER NEEDS
- THINKING ABOUT PRODUCT FOR VARIOUS CUSTOMER NEEDS
- PLANNING TO OBTAIN NECESSARY SALES TO COVER COSTS AND MAKE A PROFIT
- PREPARING TO ANSWER CUSTOMER OBJECTIONS AND ASKING FOR THE SALE
- TEACHING OTHERS HOW TO SELL
-
-
-
-
-

TP 2-6

MARKETING

- DEVELOPING NEW IDEAS FOR PRODUCTS OR SERVICES
- ANALYZING COMMUNITY NEEDS
- ANALYZING POTENTIAL CUSTOMERS
- DECIDING PRICES FOR PRODUCTS OR SERVICES
- DEVELOPING PROMOTIONAL STRATEGIES
- DESIGNING PROMOTIONAL MATERIALS
- PURCHASING MEDIA SPACE
-
-
-
-
-
-

SETTING UP A BUSINESS

- CHOOSING A LOCATION
- OBTAINING LICENSES AND PERMITS
- DETERMINING INITIAL INVENTORY
- OBTAINING FINANCING
- PLANNING LONG-TERM CASH FLOW
- CHOOSING THE TYPE OF OWNERSHIP
- WORKING WITH A LAWYER AND CPA
-
-
-
-
-

Building a Support System

UNIT 3

UNIT 3

Title:

BUILDING A SUPPORT SYSTEM

Purpose: This unit is designed to help participants understand the importance of building a support system as they start a small business.

Objectives: Upon completion of this unit, participants will—

- know how they learn from mentors and organizations as role models,
- have identified outside sources for assistance and expertise, and
- have identified a mentor who will give them assistance and support.

Materials:

Handout 3-1: Entrepreneurs Must Be . . .
Handout 3-2: Mentor Survey

Each student should have a file box with 5" by 8" file cards and divider tabs

Telephone book yellow pages (several copies if available)

Product:

Community Resource and Technical Assistance File
Identification of a mentor or business advisor

Assignment: Work on the community resource and technical file.

Complete mentor survey handout.

Notes to Instructor: For this unit, you will need to make prior arrangements with a community small business owner (depending on size of the class, two guest entrepreneurs could be used) whom you consider successful. Prepare this person to discuss the items listed in this unit under "Experiences of a Small Business Owner." If possible, find someone who has experienced a displacing event before becoming self-employed. Ideally, this person should also be a member of the community advisory committee.

Estimated Time:

Mentors in your life	15 minutes
Organizations as role models	15 minutes
Starting a community resource and technical assistance file	45 minutes
Compensating for personal and technical weaknesses	20 minutes
Identifying a mentor	20 minutes
Experiences of a small business owner	65 minutes

CONTENT	PROCESS
A. Mentors in Your Life	
A mentor is one who has personal expertise on a topic and works with another step-by-step through completion of a project. Mentors provide individual attention that others do not.	Define *mentor* and discuss the role of a mentor.
Have you ever had a mentor? Do you have one now? Has this person influenced your life?	Ask participants if they have ever had a mentor. If so, how did this person help them?
Who might serve as a mentor for you as you start your own business? Some examples might be these: • Recent employer • Friend • Relative • Fellow employee • Teacher • Community leader	Ask participants who might serve as their mentor now?
B. Organizations as Role Models	
Can an organization serve as a role model? What can you learn from organizations?	Discuss organizations as role models.
Organizations provide excellent insight into both good and bad procedures for a similar business. Think about the systems you have seen for— • record keeping, • filling orders, • buying, • scheduling workers, and	Ask participants what they have observed about various systems being used in organizations.

CONTENT	PROCESS
• promoting the business.	Ask participants what organization(s) they would use to use as role models for their businesses. List these on the chalkboard or a blank TP and ask for specific reasons why they were chosen.
C. Starting a Community Resource and Technical Assistance File This file will contain the names and addresses of people and places you can turn to for needed assistance, advice, and support.	Ask participants to set up a file box containing names and addresses of potential community resources and technical assistance sources.
Use 5" by 8" note cards and divider tabs. Set up a section of your file with a divider tab for each of the four categories of technical assistance: • Manufacturing and Production • Marketing Management • General Organization and Management • Financial Management Make a file card for each technical aspect of your business in which your skill or experience is weak. For example, in section 2, Marketing Management, your first file card might be headed Marketing Research if that is an area of weakness. Continue through the entire list of technical assistance possibilities in each category on HO 2-3 (from unit 2 assignment).	
Let's take a few minutes now and use the yellow pages of the telephone directory to identify possible community resources.	Allow participants to add to the community resource and technical assistance file names they identify from the yellow pages.
You might want to discuss your decisions with your peers and check each other's cards for accuracy.	

CONTENT	PROCESS
You will want to add a fifth divider tab in your file called Miscellaneous Support for those people you meet and with whom you will want to maintain business relationships. If they have a particular area of expertise, you'll want to note it on your card.	You may want to mention again the community advisory committee that will be working with participants later on in the course. They will also want to add to their file these people and their areas of expertise.
D. Compensating for Personal and Technical Weaknesses	
Partnerships or the use of outside technical assistance can be an excellent replacement for characteristics and skills a small business owner may not have.	Distribute HO 3-1: Entrepreneurs Must Be.
It is hard to wear all hats at once. Thus, it often becomes essential to identify an individual, or individuals, who can help you.	
What are the potential sources for adding to your own expertise?	List key sources on the chalkboard or a blank TP.
	Divide participants into small groups. Ask the recorder for each group to present points to the entire class.
Outside assistance might come from one of the following sources: • Spouse or family member • Formal partnership organization • Staff • Consultants • A course • Regular exchange meetings with other entrepreneurs	

CONTENT	PROCESS
E. Identifying Your Mentor	Ask participants to fill out HO 3-2: Mentor Survey.
Ways to get mentors more involved might include the following: • Take your mentor out to lunch • Ask for help on one problem • Ask for advice on financing based on his or her experience • Share your business ideas • Pay the person to be a consultant • Observe this person's business style and ask questions • Ask about this mentor's role models or mentors	Ask participants how they could get this person(s) more involved in helping them. List answers on the chalkboard or a blank TP.
If you do not have a mentor, identify someone in the community who has impressed you. Tell him or her about your class and ask if he or she would be willing to serve as your entrepreneurial mentor or business advisor.	
F. Experiences of a Small Business Owner	A presentation from one (or two) successful small business owners should end this unit to support the need for and opportunity for assistance from a mentor. Ideally, this person is also a member of the community advisory committee. Ask your guests to share experiences related to the following: • Why did they go into this particular business? • What did they do before going into this business? • What help was needed to go into this business?

CONTENT	PROCESS
	• Who provided the most help from outside? • Would they be willing to be a mentor if someone asked? • What would be the best way to get help from a mentor? • What would be the best way to find a mentor who would help? • What personal characteristics did they have and what was missing and needed to be successful? Allow participants to ask any questions they might have.
G. Assignment You will need to confer with your mentor throughout this course—when you make your product and service survey and competitive survey and when you develop your business plan. You will also want to invite your mentor to your last class meeting where you will present your business plan.	Complete HO 3-2: Mentor Survey.

HO 3-1

Entrepreneurs Must Be . . .

____ Financier
____ Insurance Manager
____ Shipper
____ Advertising Copywriter
____ Engineer
____ Public Relations Agent
____ Designer
____ Architect
____ Display Artisan
____ Personnel Manager
____ Wage Clerk
____ Accountant
____ File Clerk
____ Teacher
____ Bookkeeper
____ Mechanic
____ Secretary
____ Groundskeeper
____ Motor Pool Officer
____ Showperson
____ Billing Clerk
____ Stock Clerk
____ Warehouser
____ Driver
____ Artist
____ Sign Painter
____ Electrician
____ Salesperson
____ Ombudsperson
____ Editor
____ Maintenance Engineer
____ Supervisor
____ Manager
____ Superintendent
____ Tax Expert
____ Analyst
____ Economist
____ Inventor
____ Travel Clerk
____ Writer
____ Police Officer
____ Custodian

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Determining Your Potential as an Entrepreneur," Level 2 Research and Development Series no. 240 BB 2. *Program for Acquiring Competence in Vocational Education (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 4

Mentor Survey

1. Have you ever had a mentor? Yes ____ No ____
2. If your answer is yes, describe your mentor (position, organization, and so forth). ____________
3. In what period of your life did you encounter this mentor? (check one)
   ____ youth
   ____ young adulthood
   ____ middle adulthood
   ____ late adulthood
4. Where did you encounter this person? ____________
5. Do you have a mentor now? Yes ____ No ____
6. If your answer is yes, describe your mentor (position, organization, and so forth). ____________
7. In what period of your life did you encounter this mentor? (check one)
   ____ youth
   ____ young adulthood
   ____ middle adulthood
   ____ late adulthood
8. Where did you encounter this person? ____________
9. Did your mentor influence your decision to consider small business ownership?
   Yes ____ No ____
10. If your answer is yes, explain. ____________

Mentor Survey—*Continued*

11. If you do not presently have a mentor, describe a business person that you feel has provided inspiration as a business leader, someone you might recruit as your business advisor. ________

12. Whether you presently have a mentor or not, list three ways a mentor might help as you start your business. ________

Assessing Personal Finances

UNIT 4

UNIT 4

Title:

ASSESSING PERSONAL FINANCES

Purpose: This unit is designed to help participants determine their financial capacity to support a small business venture.

Objectives: Upon completion of this unit, participants will—

- have assessed their personal finances and
- have determined their financial feasibility to undertake a business venture.

Materials:

Handout 4-1: Personal Balance Sheet Statement
Handout 4-2: Detailed Personal Budget
Handout 4-3: Personal Living Expense Worksheet

Credit applications (obtain from financial agencies)

Products:

Personal balance sheet
Personal budget
Personal living expenses worksheet
Personal credit history record

Assignment:

Develop a personal balance sheet.
Develop a detailed budget.
Complete a credit application.
Complete a profile credit history.
Identify possible sources of funding based on credit history.

Notes to Instructor: A counselor from a consumer credit counseling service or a faculty member in consumer education would be an excellent resource on the topic of generating a personal budget.

Find someone who has recently started a small business in the area. Ask this person to tell the class about some of the credit references and documents required before debt financing is extended.

Invite representatives from a bank, finance company, life insurance company, savings and loan, and Federal loan agencies (SBA) to discuss financing opportunities (see sample questions in text).

Ideally, these people will also be members of the community advisory committee.

Speakers should plan to attend only 2 hours of the session. Questions should be provided to the speakers in advance to help them prepare for a 15-minute presentation (75 minutes total). Fifteen minutes should be allowed for questions and answers.

The instructor should provide the summary remarks.

If you are using all 10 units as a total package, it is suggested that at the conclusion of this unit participants be allowed to decide if they wish to continue with or discontinue the program. They will at this point have determined their desirability to be entrepreneurs.

Estimated Time:

Balance sheet activity	40 minutes
Personal budget discussion	40 minutes
Class break	5 minutes
Speakers and questions and answers	75 minutes
Summary remarks and assignments	20 minutes

CONTENT	PROCESS
Equity financing in its simplest form involves the owners' putting their own money into the business. Frequently, a small business is started by one person. Personal savings that are used to start the business are called *equity capital*. Let us now examine some of the forms used to assess your financial standing.	Define *equity financing*. Establish the importance of having good credit.
A. Developing a Personal Balance Sheet	
What is a personal balance sheet?	Introduce the personal balance sheet.
Your personal balance sheet provides any potential lender with an overall view of your financial condition. If you have a strong personal financial position, illustrated by a sufficiently large net worth, you are generally more appealing as a loan applicant. An entrepreneur with a weak financial position and a large number of debts may not meet the standards of lenders.	Distribute HO 4-1: Personal Balance Sheet Statement
The personal balance sheet includes a summary of your assets, what you own that has cash value, and your liabilities or debts. The example in HO 4-1 is for an entrepreneur starting a flower shop.	
Preparing a personal balance sheet involves a few simple steps.	Discuss the steps in preparing a personal balance sheet.
Step 1. Determine the value of all your assets—the items you own that have cash value—and list them on the balance sheet.	
Step 2. Total the value of your assets.	
Step 3. List all of your debts.	
Step 4. Total the amount of your debts also called liabilities.	
Step 5. Deduct your liabilities from your total assets. This is your net worth.	Ask participants what they can tell about the flower business owner based on the information in the personal balance sheet.

CONTENT	PROCESS
The financial position of the entrepreneur starting the flower business is solid. The assets include cash, personal savings, life insurance, an automobile, real estate, and personal property. The liabilities are fairly limited with the biggest loan being the mortgage on the real estate. There is about $2.22 worth of assets for every $1 of liability. It is evident that the entrepreneur has handled his or her personal financial affairs well. This will certainly impress a commercial or government lender and should help in obtaining the necessary debt financing to get the flower shop started.	
B. Generating a Personal Budget	
	(As suggested in the introduction, you might wish to consider inviting a faculty member in consumer education or a counselor from a consumer credit counseling service to help participants generate a personal budget.)
How do you prepare a personal budget?	Introduce the personal budget. Distribute HO 4-2: Detailed Personal Budget.
Entrepreneurs should also remember to consider their personal living expenses when determining the total financing needed to start the business. In some situations, an entrepreneur will have to take money from the business each month to pay all or part of personal living expenses. If this is the case, it is critical that the amount needed be known and at least that much be paid to the owner as a salary. The business owner's living expenses are handled in numerous ways. Sometimes the owner will continue to hold a regular paying job in order to receive a steady paycheck until the new business is large enough to support itself.	

CONTENT	PROCESS
Other times the income of the owner's spouse is sufficient, and it is not necessary to consider personal living expenses when determining how much cash is needed to get the business going. Then, too, some entrepreneurs will have several months of personal living expenses saved to use until the business has grown enough to produce a salary.	Discuss the hazards of going into business without an adequate income to support your living expenses for a minimum of 1 year.
The personal living expenses worksheet is an effective means of determining the entrepreneur's cost of living. With a total figure in mind, the business owner can then calculate how the expenses will be handled.	Distribute HO 4-3, Personal Living Expense Worksheet. Identify and discuss the items to include on the personal living expense worksheet.
The entrepreneur who started the flower shop did not take a salary. This was to keep monthly operating expenses (and consequently, the cash needed to start the business) as low as possible. Also, this was practical because the entrepreneur's spouse earned enough income to pay all of their personal living expenses.	
The sample Personal Living Expense Worksheet illustrates this situation. According to the flower shop entrepreneur, personal living expenses totaled $1,775 per month. The spouse's take-home pay was $1,815.[*]	
C. Examining Debt Financing and Assessing Your Credit History	
Debt financing means borrowing the money needed to start the business. There are numerous sources available to finance the start-up of a business enterprise. Thus the question becomes, what is the best source from which you, as an individual, can secure financing? Your credit rating	Define *debt financing*.

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[*] M. Catherine Ashmore and Sandra G. Pritz, comp., "Financing the Business," Level 2, Research and Development Series no. 240 BB 8, *Program for Acquiring Competence in Entrepreneurship (PACE)*, *Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 4-12.

CONTENT	PROCESS
and history will most definitely affect this decision. Therefore, an examination of your credit history and information concerning funding sources will need to be made.	
Break	Introduce the panel (or community advisory committee) to the class. Tell participants that a small business owner will address the questions on credit history, the banker will describe the advantages and disadvantages of the various financial sources, and representatives from various financial institutions will discuss the sources of loans for financing a new business and criteria for evaluating loan applicants. The panel should address the following questions: • How important is a good credit history in starting a new business? • What factors affect the granting or non-granting of a loan? • Compare the advantages and disadvantages of the various sources of finaning for a new business. • What are the sources of financing for a new business? • What are the advantages and disadvantages of equity financing? • What are the advantages and disadvantages of debt financing? • What are the advantages and disadvantages of other financing sources? • Describe the sources of loans that may be available for financing a new business. • What are the different types of loans for financing a new business?

CONTENT	PROCESS
	• Who are the commercial lenders? • What are the government sources of loans? • Explain the criteria used by lending institutions to evaluate loan applications. • How do lenders evaluate loan application packages? • What are some sources of loans for new businesses (banks, credit unions, commercial finance companies, consumer finance companies, life insurance companies, savings and loan associations, and various government agencies)? • What are the six Cs of credit evaluation? Discuss. 1. **Character** refers to the type of person the borrower is (honest, reliable). 2. **Capital** is the amount of money that the person has personally invested in the business. 3. **Capacity** relates to the skill and drive of the person in a managerial sense. 4. **Collateral** is the security that the person can offer for the loan. 5. **Circumstances** are factors that affect the loan but that are not under the control of the borrower. 6. **Coverage** focuses on insurance protection. Allow participants to ask questions they might have.

CONTENT	PROCESS
D. Summary In this unit, you have learned about the personal financial data to be used as part of your loan application package in the event you decide to open a small business.	Summarize class experiences.
Your personal balance sheet illustrates your personal financial position. This document graphically presents your assets, what you own that has cash value, your liabilities or debts, and your net worth. You may use this financial information to do the following: • To determine your personal equity available to invest in an enterprise • To include in a financial loan package The personal budget, on the other hand, provides an effective means of determining your costs of living and should be utilized to project living expenses for a 1-year period at the minimum. The entrepreneur should be prepared to live without expected income from the business for at least 1 year. Together, the balance sheet and budget establishes your financial suitability for small business ownership and helps dictate the form of ownership that should be considered.	(Types of ownership are discussed in unit 7.)
E. Assignment By using the information you have received in this class and the handouts as guides, you will need to do the following: • Develop a personal balance sheet and a personal detailed budget • Complete a credit application and profile your credit history. (Identify possible sources of funding based on credit	Obtain credit applications from local financial agencies for this exercise.

CONTENT	PROCESS
history—long term, short term—and who will loan the money—banks, loan companies.) You will be using this information (from these forms) later when you actually interview with a financial officer and when you develop your own business plan.	
F. Exit Point (optional)	Allow participants to decide if they want to continue or discontinue the course.
Thus far in this course, you have evaluated your entrepreneurial potential, via a self-assessment, evaluated your business skills, started building a community resource and support system, and assessed your personal finances. These activities were designed to help you determine your desire to become an entrepreneur—the desirability of owning a business. If there are those of you who know at this time that business ownership is not for you, you may want to discontinue the course now. However, if you are unsure, it is advisable that you continue with us as we discuss your business ideas in more detail and actually plan your small business.	

Personal Balance Sheet Statement

PERSONAL BALANCE SHEET STATEMENT

________________________19______

ASSETS: Everything you own with cash value

Cash money you have on hand and in the bank	$ 975.00
Savings accounts	$10,000.00
Stocks, bonds, other securities	$ – –
Accounts/notes receivable	$ – –
Life insurance cash value	$ 2,139.00
Rebates/refunds	$ – –
Autos/other vehicles	$ 6,342.00
Real estate	$62,500.00
Vested pension plan/retirement accounts	$ – –
Other assets (furnishings, appliances, jewelry, furs, cameras, tools, pets, trusts, etc.)	$ 5,417.00
TOTAL ASSETS	$87,373.00

LIABILITIES: What you owe; your debts

Accounts payable	$ 350.00
Contracts payable	$ 1,150.00
Notes payable	$ – –
Taxes	$ 2,485.00
Real estate loans	$35,475.00
Other liabilities (court-demanded payments, etc.)	$ – –
TOTAL LIABILITIES	$39,460.00

TOTAL ASSETS	$87,373.00	
LESS TOTAL LIABILITIES	$39,460.00	
NET WORTH		$47,913.00

Personal Balance Sheet for Retail Flower Shop Owner

SOURCE: Reprinted with permission from Bank of America NT&SA, "Steps to Starting a Business," 10, no. 10 *Small Business Reporter*, copyright 1976.

HO 4-2

Detailed Personal Budget

Based on average month—does not cover purchase of any new items except emergency replacements.

DETAILED BUDGET

Regular Monthly Payments

Rent or House Payments (including taxes)	$ 350
Car Payments (including insurance)	175
Appliances/TV Payments	65
Home Improvement Loan Payments	0
Personal Loan Payments	35
Health Plan Payments	55
Life Insurance Premiums	110
Other Insurance Premiums	50
Miscellaneous Payments	50
TOTAL	$ 890

Household Operating Expense

Telephone	60
Gas and Electricity	140
Water	25
Other Household Expenses, Repairs, Maintenance	75
TOTAL	$ 300

Food Expense

Food—At Home	150
Food—Away From Home	50
TOTAL	$ 200

Personal Expense

Clothing, Cleaning, Laundry, Shoe Repair	65
Drugs	15
Doctors and Dentists	30
Education	0
Dues	0
Gifts and Contributions	10
Travel	0
Newspapers, Magazines, Books	15
Auto Upkeep, Gas and Parking	150
Spending Money, Allowances	100
TOTAL	$ 385
Total Personal Living Expenses	$ 1,775
Spouse's Net Monthly Pay	$ 1,815

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Financing the Business," Level 3, Research and Development Series no. 240 CB 8, *Program for Acquiring Competence in Entrepreneurship (PACE) Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 15.

HO 4-3

Personal Living Expense Worksheet

Based on average month—does not cover purchase of any new items except emergency replenishments.

DETAILED BUDGET

Regular Monthly Payments

Rent or House Payments (including taxes ____

Car Payments (including insurance) ____

Appliances TV Payments ____

Home Improvements Loan Payments ____

Personal Loan Payments ____

Health Plan Payments ____

Life Insurance Premiums ____

Other Insurance Premiums ____

Other Insurance Premiums ____

Miscellaneous Payments ____

TOTAL ____

Household Operating Expense

Telephone ____

Gas and Electricity ____

Water ____

Other Household Expenses, Repairs, Maintenance ____

TOTAL $ ____

Food Expense

Food at Home ____

Food Away from Home ____

TOTAL ____

Personal Expense

Clothing, Cleaning, Laundry, Shoe Repair ____

Drugs ____

Doctors and Dentists ____

Education ____

Dues ____

Gifts and Contributions ____

Travel ____

Newspapers, Magazines, Books ____

Auto Upkeep, Gas and Parking ____

Spending Money, Allowances ____

TOTAL $ ____

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Instructor's Guide," Level 3, Research and Development Series no. 240 CA, *Program for Acquiring Competence in Entrepreneurship (PACE) Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 175.

Completing a Product or Service Survey

UNIT 5

Title: COMPLETING A PRODUCT OR SERVICE SURVEY

Purpose: This unit is designed to help participants define, refine, and evaluate their individual business ideas.

Objectives: Upon completion of this unit, participants will—

- have identified a potential business idea,
- understand the importance of constantly monitoring the needs of the consumer, and
- know how to analyze product or service feasibility.

Materials:

Handout 5-1: New Business Ideas
Handout 5-2: Who, What, When, Where, and Why of the Product Market

Transparency 5-1: What Motivates People to Buy?
Transparency 5-2: Factors Affecting Consumer Market
Transparency 5-3: Local Sources for Marketing Information

Product: Survey of the product market relative to individual business idea

Assignment: Conduct out-of-class product market survey relative to business idea.

Notes to Instructor: Invite to the class a local chamber of commerce research manager or local State department of commerce labor economist to discuss the prospects for small business development in the standard metropolitan area. Such a discussion will lay the groundwork for identifying potential business ideas and should include information about small business growth in the immediate area and trends and projections.

Estimated Time:

Prospects for small business development	50 minutes
Identifying business ideas	65 minutes
Consumer market and how to gather data	60 minutes
Assignment	5 minutes

CONTENT	PROCESS
So far in this class, we have looked at your personal potential to start a business. Now we are going to look at your specific business ideas and determine how they will work in our community. In this unit, we will— • identify small business ideas, • look at the economic system and the entrepreneur's role in the economic exchange process, and • talk about how to gather data about the consumer and the product or service.	
A. Identifying a Business Idea Now, let's look at your business ideas. What is a business idea? A *business idea* is the convergence of the entrepreneur's understanding of— • self, • market (customer), and • product or service.	Help participants arrive at a definition of a business idea.
We already have an understanding of *self* as a result of the self-assessment and review of business and technical skills. Also, the occupational employment projection and the Standard Industrial Codes (from unit 1) give some indication of the kinds of employment or businesses needed in the future.	Refer to HO 1-3 and HO 1-4 from unit 1.
Before we explore your business ideas, we are going to hear about the prospects for small business development in this area.	Introduce guest speaker. As suggested in the introduction, the person might be the chamber of commerce research manager or the local State department of commerce labor economist. Allow participants time to ask questions.

CONTENT	PROCESS
	Following the presentation, you might wish to take a 5-minute break.
Now, let's explore your business ideas.	Divide participants into small groups to brainstorm businesses they might start. (Allow approximately 30 minutes. Participants can use HO 5-1 to categorize their ideas.)
Ideas might come from the following: • Services needed by others • Entertainment • Marketing the products of others • Repair services • New inventions • Extension of hobbies	
• Home businesses • Businesses in a van • Others	At the end of the small-group brainstorming session, list on the chalkboard or a blank TP some of the ideas that were generated. Ask how many participants actually have a business idea they wish to pursue.
B. Analyzing Product or Service Feasibility **1. Consumer Market** Analyzing the feasibility of the product or service in the community requires knowing the consumer market.	
The consumer market consists of purchasers—individuals or households—who buy products or services for their own use but do not buy products for the purpose of making a profit from them.	Help participants understand why it is important to know about their consumer market.
Consumers buy to satisfy their own or their family's wants and needs. When they buy any product or service, they do so because of what they expect the product or service to do for them.	
People are motivated to buy for two basic reasons:	Distribute TP 5-1: What Motivates People to Buy?

CONTENT

- **Emotional reasons**—pride of personal appearance, social achievement, ambition, cleanliness, pleasure, increased leisure time
- **Rational needs**—durability, economy in use, economy in purchase, handiness, efficiency in operation, dependability in use

Psychologists have found in their research that consumer buying behavior is first directed toward satisfying certain basic needs. These very basic needs include food, shelter, and sleep. An individual attempting to fulfill the most basic needs is usually influenced more directly by rational motives. Persons with few resources need the most for their money in terms of quantity, quality, and dependability.

Most Americans live above a basic survival level, and they make many purchases to fulfill needs other than just the basic ones. Therefore, their purchasing is often done to satisfy both rational and emotional buying motives. This fact makes the job of selling to consumers more difficult.

Many consumers won't admit they purchase goods and services to satisfy emotional needs. Most psychologists believe that distinctiveness and pride in personal appearance are emotional buying motives, but customers may think of them in other ways. They may look for quality or value as well. In this sense, it might be said that all consumer buying motives are logical. However, certain motives generally seem to be more rational than others. Because people think of themselves as rational individuals, they tend to express their reasons for buying in very logical ways.

PROCESS

Help participants understand consumer behavior and how it influences the market.

CONTENT	PROCESS
To market a product or service successfully, you need to be aware of what motivates the primary consumer to buy that product or service.	
2. Factors Affecting the Consumer Market	
The consumer market is continuously changing. Many factors have contributed to consumer changes in the last few years. Can you name some?	Ask participants to name factors that have recently affected the consumer market. Use TP 5-2: Factors Affecting Consumer Market.
• Population changes, such as shifts in age distribution and greater mobility • Size and distribution of income, including increases in total purchasing power and the amount spent for "luxuries" • Changes in life-style and attitudes • A greater percentage of women in the work force • More leisure time • More purchases on credit • An increase in the number of white-collar and skilled workers • Higher overall educational level of population	
You should watch for changes carefully. In order to respond to them, you may need to modify or refine some of your marketing policies and procedures. Predicting and keeping up with changes in the marketplace are important and difficult tasks. Market information must be collected and analyzed continually.*	

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*M. Catherine Ashmore and Sandra G. Pritz, comp., "Planning the Marketing Strategy," Level 2, Research and Development Series no. 240 BB 6, *Program for Acquiring Competence in Entrepreneurship (PACE)*, *Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 6-8.

CONTENT	PROCESS
3. Framework for Collecting Data	
The "five Ws" are a framework around which you can gather data about a potential market to better understand and predict buyer behavior.	Distribute and discuss HO 5-2: Who, What, When, Where, and Why of the Product Market.
Notice that there are five questions (who, what, when, where, and why) with factors and elements particular to each.	
What are some sources for various marketing information?	
• Bureau of the Census • Small Business Administration • U.S. Departments of Labor and Commerce • Federal Reserve Board • Trade associations • Trade journals and business magazines • Chambers of commerce • Banks • Newspapers • Utility companies • Libraries	Refer to TP 5-3: Local Sources for Marketing Information.
What are the two most common methods for collecting data?	
• Interview—face-to-face and telephone	Instruct participants to analyze the market potential for their business idea, product, or service.
• Observation—observing and talking to customers • Published reports	Tell participants to utilize their community contacts.

CONTENT	PROCESS
C. Assignment Use the "five Ws" handout to analyze the market potential of your business idea, product, or service. Complete as many of the factor areas as possible. At the next class meeting, we will divide into small groups and discuss your individual successes, failures, and other interesting experiences.	

New Business Ideas

Services needed by others

alterations
cleaning services
personal shopping

Repair services

auto body repair
paint and trim
custodial services

Entertainment

music groups
tour guides
social coordinator

Others

restaurants
recreation centers
video games

Marketing products of others

crafts
ceramics
flower arranging

HO 5-2

Who, What, When, Where, and Why of the Product Market

Question	Factors	Elements
Who	Demographics	• Population —numbers —growth rate —decline —movement (in and out) —age (average and trends) —sex —racial and ethnic mix —marital status (numbers, trends) • Education —number of schools (all levels) —education levels (average, trends) —how much expended (taxes, trends) • Family structure —numbers —composition —trends —marriages and separations • Economic —individual income levels —business income levels —occupations —asset ownership (land, homes, autos, capital) • Housing —age — starts (trends) —ownership patterns —rental units (numbers, trends)

Who, What, When, Where, and Why of the Product Market—*Continued*

Question	Factors	Elements
What	Products or services	• Market surveys (formal) • Unobtrusive measures (informal observations)
When	Timing	• Business cycles • Product cycles • Customer cycles
Where	Location	• Your market • Your labor force • Transportation • Raw materials • Suitable site (personal factors) • Community interest (business and economic development environment)
Why	Effective demand	• Purchasing power of population • Purchasing habits and trends

WHAT MOTIVATES PEOPLE TO BUY?

1. EMOTIONAL REASONS:
   - PRIDE OF PERSONAL APPEARANCE
   - SOCIAL ACHIEVEMENT
   - AMBITION
   - CLEANLINESS
   - PLEASURE
   - INCREASED LEISURE TIME
2. RATIONAL NEEDS:
   - DURABILITY
   - ECONOMY IN USE
   - HANDINESS
   - EFFICIENCY IN OPERATION
   - DEPENDABILITY

FACTORS AFFECTING CONSUMER MARKET

- POPULATION CHANGES
- SIZE AND DISTRIBUTION OF INCOME
- MORE WOMEN IN THE WORK FORCE
- MORE LEISURE TIME
- MORE AVAILABLE CREDIT
- INCREASED NUMBER OF SKILLED WORKERS
- HIGHER OVERALL EDUCATION LEVEL OF POPULATION

LOCAL SOURCES FOR MARKETING INFORMATION

- BUREAU OF THE CENSUS
- SMALL BUSINESS ADMINISTRATION
- U.S. DEPARTMENTS OF LABOR AND COMMERCE
- FEDERAL RESERVE BOARD
- TRADE ASSOCIATIONS
- TRADE JOURNALS AND BUSINESS MAGAZINES
- CHAMBERS OF COMMERCE
- BANKS
- NEWSPAPERS
- UTILITY COMPANIES
- LOCAL LIBRARIES

UNIT 6

Conducting a Competitive Market Survey

UNIT 6

Title: CONDUCTING A COMPETITIVE MARKET SURVEY

Purpose: This unit is designed to help participants analyze the competitive market relative to their individual business ideas.

Objectives: Upon completion of this unit, participants will—

- understand the need to analyze consumer needs and product information,
- know the marketing factors relative to analyzing the competition,
- know the location factors relative to analyzing the competition, and
- know how to conduct an analysis of the competitive market relative to their products or services.

Materials:

Handout 6-1: Analyzing Competition: Marketing Factors
Handout 6-2: Analyzing Competition: Location Factors
Handout 6-3: Preliminary Marketing Plan

Product: Preliminary Marketing Plan

Assignment: Conduct out-of-class competitive market analysis relative to individual business idea.

Notes to Instructor: It is suggested that you have two small business owners discuss marketing factors and location factors. Firsthand experiences described by entrepreneurs help participants see the need to develop a well-thought-out marketing plan and to determine the best possible location for their business. Be sure to ask guests to incorporate specific marketing and location factors as outlined in the content of this unit. Ideally, these people are members of the community advisory committee.

Estimated Time:

Product or service survey results	60 minutes
Marketing factors discussion	55 minutes
Location factors discussion	55 minutes
Assignment	10 minutes

CONTENT	PROCESS
A. Results of Product or Service Survey	Divide into small groups and discuss the results of the out-of-class exercise on product or service analysis. Each group should select a person to report the successes, failures, and other interesting experiences to the class. Discuss any problems or questions that may have surfaced. Focus on specific things participants learned about themselves, their product, business idea, the market, and so forth.
After you have gathered and analyzed customer and product information, decisions about the business can be made. The business must be organized to satisfy prospective customers and to make a profit. The "golden rule of marketing" says that an analysis of the market will determine if the product can be— • sold, • sold for a profit, and • sold for profitable growth.	Introduce the "golden rule of marketing" concept.
B. Analyzing Competition **1. Marketing Factors** In analyzing competition, there are two groups of factors, or conditions, that need to be examined: • Marketing factors • Location factors	Introduce a guest small business owner who will discuss marketing factors.
Marketing contributes to the successful exchange of goods and services between producers and consumers. In order for the marketing function to accomplish its task effectively, there are four elements that must be examined:	Discuss marketing, introducing the "four Ps" of marketing.

CONTENT	PROCESS
• Product • Price • Place • Promotion	
These are commonly called the "four Ps" of marketing. The combination of these components is known as the *marketing mix*. If a business can effectively combine the four elements of the marketing mix, sales of products or services should be profitable and customers should be satisfied.	What is *marketing mix* and why is it so important?
Each component of the marketing mix has a function. First, to develop the *product* component of the marketing mix effectively, it is extremely important to know who the potential customers are and what they want or need. Then the right product must be produced or purchased.	Discuss the function of each component of marketing.
Price is the second component in the marketing mix. The objective of pricing is to offer the product or service at a price that is equal to the value received by the customer. The right price is the one that— • will be attractive to customers and • is high enough to cover the cost of doing business and to generate a profit.	
Place is the third element of the marketing function. Place simply means making the product or service available at a place that is convenient for customers. In order to implement this component effectively, the entrepreneur must know customers' buying habits. Finding the right place depends upon the type of product or service and how the customers normally buys it.	

CONTENT	PROCESS
The last component of the marketing mix is promotion. Promotion involves trying to determine the proper means of communicating the availability and benefits of the product or service to the potential customer. Deciding on the right methods of promotion will involve a careful analysis of the product, price, and place components of the marketing mix.*	
2. Location Factors	
When planning for the location of a small business, three general factors should be considered: economics, population, and competition.	Introduce a guest small business owner who will discuss location factors. What factors should be considered when selecting a business location? List these on the chalkboard or a blank TP. Answers may need to be catagorized under the three general factors discussed here.
A major concern in planning the location of a small business is the *economic base* of the area. The type of industry in an area will influence the economic conditions of the region. Agriculture, manufacturing, and commercial trade are major types of industry. The mix of industries in an area is an important item. Some areas depend on one industry, whereas other areas have a balanced variety of business establishments. The future of the area should be studied in terms of the stability of the economic base.	
Other economic factors are important when locating a business. Good highways and railroad facilities are favorable to business. The availability of public utilities and a well-trained labor force is a positive factor. Local taxes are also an economic factor.	
Questions you might answer are the following:	What questions would you ask about the economic base?

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*M. Catherine Ashmore and Sandra G. Pritz, comp., "Planning the Marketing Strategy," Level 2, Research and Development Series no. 240 BB 6, *Program for Acquiring Competence in Entrepreneurship (PACE)*, *Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 11-12.

CONTENT

- Do townspeople depend on one industry or business for their jobs, or does the community have a variety of industries?
- Is industry in the area healthy?
- Are many of the local jobs seasonal in nature?
- Are industries moving in or are they locating elsewhere?

A second general factor that affects business location is the nature of the *population*. Because the income of individuals determines the demand for goods and services, owners of small businesses should gather information about the income patterns of the region. Population trends should also be reviewed. The growth and the standard of living are items of particular interest.

Specific questions that need to be answered include the following:

- What is the average income?
- Is there a mixture of income levels (low, medium, high) in the area or does the area have predominately one income level?
- What are the employment and unemployment trends?
- Do most people own or rent their homes?
- What recent changes have occurred in the population?

The third factor concerns the number and type of *competitors* or potential competitors. This is important because an area can support only a limited number of competing businesses. If too

PROCESS

What questions would you ask about the population?

CONTENT

many of the same type of business locate in the same area, they may all have limited sales and several may not survive. A small business owner can determine if the competition is alert and up-to-date by driving through the area and visiting a number of firms. The presence of chain stores, franchises, and other major firms should be noted. You should know not only how many competitors exist in your sales market, but also where they are located.

You should also find out how many businesses similar to yours have opened or closed in the past 2 years. Indirect competition that provides similar kinds of goods and services is another factor to analyze.

Questions that you might want to answer are the following:

- How large are the competitors?
- What do their customers think about the products or services offered by the existing establishments?
- What type of management—cooperative or cutthroat—exists in the area?
- If there is little or no competition, why not?
- What is the history of businesses like yours in the area?

Three conditions favorable to opening a new business are these:

- The absence of similar businesses
- The presence of poorly managed businesses

PROCESS

What questions would you ask about competitors?

CONTENT	PROCESS
- An expanding market* A study of your competition will let you know if any of these conditions exist.	
C. Assignment HO 6-1 and 6-2 summarize the basic questions you will need to answer about your competition with respect to marketing and location. Use these handouts to study and analyze your competition. Try to answer as many of the questions as possible. You will need to use your community contacts and the local resource handout (from unit 5). Once information has been obtained, use HO 6-3 to outline your preliminary marketing plan. At the next class meeting, we will discuss your findings.	Distribute HO 6-1: Analyzing Competition: Marketing Factors, HO 6-2: Analyzing Competition: Location Factors, and HO 6-3: Preliminary Marketing Plan.

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*M. Catherine Ashmore and Sandra G. Pritz, comp., "Locating the Business," Level 2, Research and Development Series no. 240 BB 7, *Program for Acquiring Competence in Entrepreneurship (PACE)*, *Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 4-5.

Analyzing Competition: Marketing Factors

1. **Product or Service**

- How is the product or service defined?
- How is the product or service similar to others offered in the area?
- How is the product or service different from other products and services in the area?
- Does the competition specialize?
- Does the competition emphasize variety?
- Does the competition cater to the mass market?

2. **Price**

- What is the average selling price for similar products?
- What is the average product markup?
- What is the average profit margin for similar products?
- What are the specific volume and discount considerations of competitors?
- What are the market shares of competitors?

Analyzing Competition: Marketing Factors—*Continued*

3. Place

- Where is your proposed (facility) place located?
- Where will the product be displayed within the facility?
- Where is the competition's (facility) located?

4. Promotion

- Through which media does the competition advertise?
- What are the average advertising costs in your industry?
- How recognizable (name recognition) is the competition?

Analyzing Competition: Location Factors

1. Characteristics of the *Economy*:

   - What types of industry exist in the area?

     Agriculture
     Manufacturing
     Wholesale
     Retail
     Other

   - What is the condition of the industrial base?

     Stable
     Growing
     Declining

2. Characteristics of the *Population*:

   - What income levels exist in the area?

     High
     Middle
     Low

   - Which age levels contain the most individuals?

     Preteenagers
     Teenagers
     Young Adults
     Adults
     Senior Citizens

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Locating the Business," Level 2, Research and Development Series no. 240 BB 7, *Program for Acquiring Competence in Entrepreneurship (PACE)*, *Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 9-10

Analyzing Competition: Location Factors—*Continued*

- Where do the majority of people live?

  Urban
  Suburban areas
  Rural areas

3. Characteristics of the *Competition*:

- How many competitors exist?

  Many
  Few
  None

- Where do the competitors exist?

  Along the main streets
  Scattered throughout the area
  In shopping centers

- What type of competitor is evident?

  National or regional businesses
  Franchise operations
  Local operations

Preliminary Marketing Plan

- What products or services will you sell?

- Define your target market.

Who?

How many in area?

Why will they buy?

- What location will you select? Why?

HO 6-3

Preliminary Marketing Plan—*Continued*

- Describe your competitors.

Name	Market position
• ________________	________________
• ________________	________________
• ________________	________________
• ________________	________________

- Describe your pricing strategy.

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- What is your promotional message to potential customers?

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UNIT 7

Planning a Business

UNIT 7

Title: PLANNING A BUSINESS

Purpose: This unit is designed to help participants appreciate and understand the dynamics and critical importance of small business organizational and financial planning.

Objectives: Upon completion of this unit, participants will—

- have an understanding of the advantages and disadvantages of various types of business ownership.
- have an understanding of the advantages and disadvantages of various types of financing, and
- have an understanding of the various financial and record-keeping forms that comprise a basic financial plan.

Materials:

Handout 7-1:	Advantages and Disadvantages of Types of Ownership
Handout 7-2:	Sample Record-keeping Forms for a Small Business
Handout 7-3:	Advantages and Disadvantages of Equity and Debt Financing
Handout 7-4:	Case Study: EverReady Repair Service
Handout 7-5:	Blank Financial Forms for EverReady Repair Service Case Study
Handout 7-6:	Completed Financial Forms for EverReady Repair Services Case Study

Transparency 7-1:	Licenses and Permits for a Small Business
Transparency 7-2:	Basic Financial Planning Forms

Product: Completed Financial Forms for Case Study

Assignment: Contact a commercial loan officer to find out what is required to fill out a commercial loan application.

Notes to Instructor: This unit was designed to provide basic operational information to participants who have little training in business and accounting. It covers a great deal of material in as simplified a way as possible so that the concepts can be used in developing the participant's own plan.

To assist participants in completing the financial planning exercise in this unit and in developing their preliminary business plan in unit 8, the following steps are suggested:

- The community advisory committee should be present to answer questions and assist in whatever way possible.
- A local college or university with a business management program should be contacted to solicit the assistance of management majors who can act in a consulting capacity.

Participants can use the completed forms, HO 7-6, to check their work.

Estimated Time:	Competitive market survey review	40 minutes
	Organizing a business	45 minutes
	Financial planning	90 minutes
	Assignment	5 minutes

CONTENT	PROCESS
A. Competitive Market Survey Results	Discuss the results of the competitive market survey from the previous unit. Questions to stimulate the discussion might be these: • How does competition affect your idea? • How successful were you in evaluating competition? • What strategies did you use to evaluate competition?
Now that you have given a lot of thought to your business idea, are there any questions to be resolved before you can plan your business?	Ask participants if they are satisfied with their business idea. If there are too many questions, ask participants to write their questions on cards so that you can respond to them individually later.
B. Organizing A Small Business Thus far, you have decided on a business, identified a target audience, have an idea about marketing strategy, and know how your business fits in with the competition.	What types of business ownerships are there? What kind would be best for you?
1. Will You Have a Sole Proprietorship, Partnership, Corporation, or a Franchise?	Discuss the types of business ownerships participants might want to have.
The most common form of business organization is the *sole proprietorship*. This business is owned by one person. It is usually operated by this person. Many times, though, it is run with the help of new employees, often family members. Sole proprietorships can usually operate with very limited capital resources. Sole proprietorships exist in a great variety of businesses.	Use HO 7-1: Advantages and Disadvantages of Types of Ownership.
These may include the neighborhood beauty shop, restaurant, and so on.	
The sole proprietorship is the least complicated form of organization. It is the easiest to enter into and terminate. Entry requires little more than a location, expertise in the area of business	

CONTENT	PROCESS
considered, a source of capital, the ability to make contracts, and the desire to start your own business. Terminating generally requires paying your debts and closing your doors. A *partnership* is a business that has two or more co-owners. Often, but not always, a partnership is formed when a sole proprietor takes on additional owners. These additional owners help in certain areas of expertise or skill. They may also aid in expanding the business by raising additional capital as there is a limit to what one person can borrow. Partnerships are found in every type of business. Forming a partnership may be the answer for many businesses, especially those that require more initial capital than one person can raise alone. The *corporation* is an association of three or more owners that is chartered by a State. It is given the power to transact business, to enter into contracts, and to sue or be sued as a legal entity. The corporation acts on its own through its officers. They have power to make contracts and carry out business activities. These are done in the same manner as a sole proprietorship or partnership. Forming a corporation offers advantages to those who need lots of capital, but it requires a large amount of extra capital to start and to operate. The *franchise* is the fastest growing form of business in the United States today. Many types of businesses lend themselves to the franchise type of operation—motels, tax services, vending machine companies, and so on. Although becoming a franchisee seems to be an easy way of becoming an entrepreneur, owning a franchise is no guarantee of success. A franchise represents a continuing relationship between the franchisor and the franchisee. The franchisor's knowledge,	

CONTENT	PROCESS
image, success, and manufacturing and marketing techniques are supplied to the franchisee for a price. The entrepreneur who buys a franchise buys a "pre-packaged" business operated under contract with the franchisor.*	
2. How Many Employees Will You Need?	
The answer to this question depends on your income and the amount of work that is needed.	How many employees will you need? What will they do and what will you pay them?
Labor costs vary according to employee responsibility and background. Generally, in determining costs per employee, you can estimate benefits and taxes as being 20 percent of the total wages.	
Part-time help and spot labor are often more economical for a new small business.	
3. How Will You Keep Track of Your Money?	What kind of record-keeping system will you need?
There are unlimited records that might be kept by a business. As you grow larger, you will find a need for more detailed records. At first, however, you can keep most information in the following ways:	
• Daily, weekly, and monthly sales records • Bank deposit records and monthly balance of accounts • Cash disbursements journal • Accounts payable ledger • Accounts receivable ledger	Distribute HO 7-2: Sample Record-keeping Forms for a Small Business.

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*M. Catherine Ashmore and Sandra G. Pritz, comp., "Choosing the Type of Ownership," Level 2, Research and Development Series no. 240 BB 5, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 3-5.

CONTENT	PROCESS
- Payroll ledger	
It is essential that you set up adequate records before you open your business.	
4. What Licenses, Permits, and Regulations Affect Your Business?	Will you need a license or permit?
Check with the State, city, and county government offices to find out what you need. The following will give you a place to start your preliminary new business plan:	Use TP 7-1: Licenses and Permits for a Small Business.
- Social Security - Income taxes - Sales taxes - Property taxes - Truck license - Workers' Compensation - Employment taxes - Business license	
Consider what each of these will cost your business.	
C. Financial Planning	
You will probably want help from an accountant or you will want to take some accounting courses. However, for your preliminary business plan, it is sufficient to plan your finances as we will discuss now.	
1. Basic Planning Forms	Use TP 7-2: Basic Financial Planning Forms.
The ideas and plans we are going to discuss include the following:	
- Estimated costs of starting your business	

CONTENT	PROCESS
• Capital equipment list	
• Projected annual income statement	
—estimated sales	
—cost of goods sold	
—gross margin	
—estimated expenses	
—net profit or loss	
• Cash flow projection	
—receipts	
—disbursements	
• Monthly cash balance on hand	
—plus loan proceeds and cash on hand	
—plus cash receipts	
—minus cash disbursements	
—equals balance on hand	
• Sources and applications of financing	Distribute and discuss HO 7-3: Advantages and Disadvantages of Equity and Debt Financing.
—sources: bank, stock, partners, venture capital, Small Business Administration	
—applications: purchase equipment, building, inventory, working capital, reserve	
2. **Financial Planning Exercise**	
You will need to divide into three groups. The people with the strongest financial backgrounds should head each group.	Distribute HO 7-4: Case Study: EverReady Repair Service and HO 7-5: Blank Financial Forms for EverReady Repair Service Case Study.

CONTENT	PROCESS
Using HO 7-4 and 7-5 and the Ever-Ready Repair Service case study, let's see which group can prepare the necessary financial statements first and correctly.	The community advisory committee or management majors should be present to answer questions and assist participants. Using HO 7-6: Completed Financial Forms for the EverReady Repair Service Case Study, participants can check their answers—as a total class activity—to identify any problems. Depending on remaining time, the instructor could address each problem with the class as a whole or with the participants having problems.
D. Assignment Next week, we will begin to develop your preliminary business plan using the information we have covered thus far. To be better prepared to deal with financial needs, set up an interview with a local commercial bank. Ask the loan officer to go over the business loan application. Explain that you have a preliminary idea for a business and wish to find out what you will need to do to submit your loan application.	

Advantages and Disadvantages of Types of Ownership

Forms of Ownership	Advantages	Disadvantages
Sole Proprietorship	1. Low start-up costs 2. Greatest freedom from regulation 3. Owner in direct control 4. Minimal working capital requirements 5. Tax advantage to small owner 6. All profits to owner	1. Unlimited liability 2. Lack of continuity 3. Difficulty in raising capital
Partnership	1. Ease of formation 2. Low start-up costs 3. Additional sources of venture capital 4. Broader management base 5. Possible tax advantage 6. Limited outside regulation	1. Unlimited liability 2. Lack of continuity 3. Divided authority 4. Difficulty in raising additional capital 5. Difficulty in finding suitable partners
Corporation	1. Limited liability 2. Specialized management 3. Transferable ownership 4. Continuous existence 5. Legal entity 6. Possible tax advantages 7. Ease of raising capital	1. Close regulation 2. Most expensive form to organize 3. Charter restrictions 4. Extensive recordkeeping 5. Double taxation
Franchise	1. Smaller-than-usual capital investment 2. Less working capital than normally required 3. Prior public acceptance of product or service 4. Management assistance 5. Better-than-average profit margins	1. Possible high franchisor fees, supplies, and charges 2. Some loss of independence 3. Possible difficulties in cancelling contracts

SOURCE: Adapted from *Going into Business for Yourself* by Gary L. Kuebbeler (Columbus: Ohio Distributive Education Materials Lab. The Ohio State University, n.d.).

Sample Record-keeping Forms for a Small Business

Daily Sales and Cash Summary

Date September 15, 19 _____

Cash sales	$435.00
Charge sales	75.00
Accounts receivable	80.00
Miscellaneous	10.00
	$600.00

Daily Sales and Cash Summary

DATE September 15, 19 _____

Receipts		
1. Cash sales		$ 435.00
2. Accounts receivable		80.00
3. Miscellaneous		10.00
4. TOTAL CASH RECEIPTS		$ 525.00
Cash Count		
5. Cash in Register		
Checks	$ 65.00	
Currency	695.00	
Change	25.00	$ 785.00
6. Cash and checks in vault		35.00
7. Petty cash slips		5.00
8. TOTAL CASH		$ 825.00
9. Less bank deposit		$ 500.00
10. ENDING CASH		$ 325.00
Total Sales		
11. Cash sales – Line 1		$ 435.00
12. Charge sales		75.00
13. TOTAL SALES		$ 510.00

By ____________

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Keeping the Business Records," Level 2, Research and Development Series no. 240 BB 15, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 11-13 and 15.

Sample Record-keeping Forms for a Small Business—*Continued*

Accounts Receivable Record

Customer Ann Flower Phone 455-6387

Address 23 Florence Road Venice, FL

Date	Details	Charge	Payment	Balance
March 7, 1982	Sales slip No. 237	$457.00		$457.00
May 6, 1982	Check No. 972		$250.00	207.00
June 1, 1982	Check No. 1007		207.00	–0–

Accounts Payable Record

Name Complete Supply Co. Phone 457-1234

Address 45 Elm Street Welsmore, Ohio

Date	Invoice No.	Charge	Payment	Balance
9/11/82	6734	$427.00		$427.00
11/01/82	6734		$427.00	–0–

Sample Payroll Register

______________	Name of Employee
______________	Social Security Number
______________	Number of Exemptions
______________	Ending Date of the Pay Period
______________	Hours Worked (if applicable)
______________	Rate of Pay
______________	Total Wages
	Deductions (itemized to include: federal income tax, FICA–Social Security, state and/or local income tax, and state disability insurance (if applicable). Other deductions might include health insurance and retirement fund.)

Advantages and Disadvantages of Equity and Debit Financing

Type of Financing	Advantages	Disadvantages
I. EQUITY FINANCING A. Using personal savings	1. Keep all of the profits 2. Reduce amount of debt 3. Risk of loss provides motivation to succeed 4. Shows good faith to any potential lenders	1. Chance of loss 2. May force personal sacrifices 3. Loss of return from use of savings
B. Involving friends and family	1. Easy and quick source of cash 2. Less pressure and restrictions 3. Informal arrangements	1. Risk of destroying personal relationship 2. May encourage unwanted involvement in business
C. Forming a partnership	1. Brings in more cash 2. May be able to borrow more 3. Share financial risks	1. Give up part of profits 2. Give up part of the ownership
D. Incorporating the business	1. Raise large amount of cash 2. Share financial risks 3. Reduce legal liability 4. Tax savings	1. Give up part of profits 2. Give up share of control and ownership
E. Using venture capital	1. Large amounts of money available 2. Money available for calculated risks 3. Maintain control and operation of business 4. Additional assistance usually available	1. Most small businesses don't qualify 2. Must give up part of ownership of the business
F. Working with SBICs	1. Set up specifically to help small businesses 2. Provide loans, too 3. Special assistance for minority businesses 4. Others applicable from venture capital	1. Favor expanding businesses versus starting businesses 2. Others applicable from venture capital
II. DEBT FINANCING (Includes all forms of borrowing)	1. Relatively easy and quick to obtain 2. Maintain control and ownership of the business 3. Repay at more advantageous time 4. May actually be able to save money 5. Interest and other costs are tax deductible 6. Inflation allows repayment in cheaper dollars	1. Interest costs are expensive 2. Risk that future profits will cover repayment 3. Easy to abuse and overuse 4. Must share financial and other confidential information 5. Lender may impose limitations or restrictions on borrower

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Financing the Business," Level 2, Research and Development Series no. 240 BB 8, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 17.

Case Study: EverReady Repair Service

Background

EverReady Repair Service (ERS) is a mobile engine diagnostic and electrical repair service. ERS specializes in on-site diagnostics and repair of automobile and truck electrical systems. ERS business operations are conducted exclusively from a light panel truck owned and operated by the sole proprietor of ERS, Mr. Alec Tricity.

Mr. Tricity started ERS in 1982, 2 years after being laid off from the General Motors (GM) Assembly Plant in Brookpark, Ohio. For 6 years, Tricity installed and tested electrical consoles for GM. In his last year at Brookpark, Tricity received training on newly developed computer diagnostic equipment. In the 2 years it took Tricity to decide to launch his own business, the diagnostic equipment on which he trained became an industry standard in electrical systems analysis. As a result, the "auto mechanic" experienced an elevation in status to "auto technician."

Immediately upon graduation from the Joint Vocational School of Delaware, Ohio, where he studied auto mechanics, Alec Tricity was invited to participate in the U.S. experiment with representative democracy in Southeast Asia. Upon his return in 1974 from the failed experiment, Tricity completed a popular truck mechanics course and landed a job with an interstate trucking firm. He remained with the firm for 18 months, at which point he accepted employment from GM in Brookpark, Ohio.

Alec Tricity's experience in the area of automotive electronics includes: vocational training, military training and work (Saigon motorpool), specialized truck training, and ongoing industrial training.

Business Idea

Midway through what Tricity felt was an increasingly sedate and tranquil life-style, a la GM, he noticed growing vexation as his personal auto began breaking down. He became especially irate with electrical problems. Upon deeper reflection, Alec Tricity determined—

1. that electrical breakdowns are completely debilitating since the auto has to be towed and
2. that electrical breakdowns rarely happen in transit—when the auto "goes down" it happens at end points, often necessitating long, expensive service tows.

Tricity thought what a marvelous idea it would be for someone to offer diagnostic repair service on an "on-call" basis—doctor calls at home or on the road for your sick auto. Much logistical expense and annoyance would be obviated with such a service.

Operations

Alec Tricity started ERS with the purchase of a Chevrolet light panel truck and a High Caliber 2020 mobile engine analyzer (manufactured by High Caliber, Inc.). Tricity purchased the truck with a 3-year, $16,000 truck loan ($480 per month). He purchased the engine analyzer for $8,000.

Case Study: EverReady Repair Service—*Continued*

Management at the GM plant in Brookpark helped arrange a 16-month credit plan through which High Caliber, Inc., agreed to accept 16 installments of $500 each to pay off the purchase.

To secure an initial inventory of general electrical replacement parts, Tricity delved into his savings ($9,000) to the tune of $2,000. Because he had been collecting specialized tools and hand-held analyzers as he progressed through his training, the purchase of tools and light equipment did not represent a significant expense. Tricity's "garage on wheels" was ready to go.

For an initial promotion campaign, Tricity placed small advertisements in the in-house employee publications at the GM plant. He photocopied 20,000 promotional flyers and delivered the flyers to houses in selected neighborhoods in Brookpark and the greater Cleveland area. Being a one-person operation, Tricity figured that word-of-mouth promotion would suffice in the early months of the business as the "bugs" were being worked out of his operations.

Having checked advertising rates in the greater Cleveland area, Tricity decided that well-placed ads in several suburban weeklies would be more cost-effective than going for premium space in the big city dailies. Once he recouped his initial promotion costs, he planned a monthly ad campaign in two suburban weekly newspapers (2 inch by 1 column display ads at $15 per ad). In addition, Tricity discovered that the truck itself could serve as an effective advertising medium. He once again tapped savings for a $250 lettering and design job for the panels of his truck.

Once he had purchased about $75 worth of record-keeping supplies ($10 per month to maintain), Alec Tricity was ready to go. Although both he and his truck were now "operative," the State was not. Upon advice from a friend, Tricity sought the counsel of an attorney prior to engaging in any business transactions. In addition to the business license ($20), the electricians license ($50), and a registration of the truck as a commercial vehicle ($50), Tricity learned that he needed to file special tax papers with the IRS. Based on the overwhelming number of legalities affecting business operations, Tricity decided to hold the attorney on a retainer basis for the next 6 months ($50 per month).

Through a fleet service contract with his old employer, Alec Tricity was able to test out his equipment and systems on several jobs prior to "going public." Because his arrangement with GM called for a quarterly payment schedule for services rendered during the previous quarter, Tricity had quickly established a solid and reliable accounts receivable credit plan ($300).

In order to maintain good communication with existing and potential customers, Mr. Tricity recognized the need to relay messages quickly while he was "out in the field." To accomplish this, he dipped again into savings, pulling out $1,000 to set up a communications network. The network was comprised of a telephone answering machine and cellular phone system to relay messages from his home phone to the truck. Based on a newly developed metered service, Tricity estimated that it would cost him approximately $100 per month to maintain the telephone service.

In addition to the direct operating expenses described above, Alec Tricity also incurred several recurring administrative expenses. He budgeted approximately $100 per month for insurance: business liability, inventory, comprehensive on the truck, and replacement cost of the High Caliber 2020 analyzer. He also calculated that his tax burden would average about $200 per quarter. Because the two loans (truck, analyzer) were new, Tricity calculated that the payments in the first

Case Study: EverReady Repair Service—*Continued*

several months would represent interest only. Because the "truck is the business" and the "business is the truck," Tricity projected that an accelerated maintenance schedule on the truck would cost him approximately $30 per month.

Just prior to completing his cash projection, Tricity figured that the cost of miscellaneous incidentals would average about $25 per month. In addition, he projected the need for a cash reserve of $900 for unexpected expenses or losses, special purchases, and so forth.

Finally, as a last step prior to venturing forth, Alec Tricity determined that he needed to pay himself a minimum of $1,000 per month to cover those personal expenses he could not apply against his business income.

All of Tricity's financial estimates were based an a sales projection of approximately $35,000 per year.

Blank Financial Forms for EverReady Repair Service Case Study

WORKSHEET

ESTIMATED MONTHLY EXPENSES			
Item	Your estimate of monthly expenses based on sales of $________ per year	Your estimate of how much cash you need to start your business (See column 3.)	What to put in column 2 (These figures are typical for one kind of business. You will have to decide how many months to allow for in your business.)
	Column 1	Column 2	Column 3
Salary of owner/manager	$	$	2 times column 1
All other salaries and wages			3 times column 1
Rent			3 times column 1
Advertising			3 times column 1
Delivery expense			3 times column 1
Supplies			3 times column 1
Telephone and telegraph			3 times column 1
Other utilities			3 times column 1
Insurance			Payment required by insurance company
Taxes, including Social Security			4 times column 1
Interest			3 times column 1
Maintenance			3 times column 1
Legal and other professional fees			3 times column 1
Miscellaneous			3 times column 1
STARTING COSTS YOU ONLY HAVE TO PAY ONCE			Leave column 2 blank
Fixtures and equipment			Fill in worksheet 3 on page 12 and put the total here
Decorating and remodeling			Talk it over with a contractor
Installation of fixtures and equipment			Talk to suppliers from who you buy these
Starting inventory			Suppliers will probably help you estimate this
Deposits with public utilities			Find out from utilities companies
Legal and other professional fees			Lawyer, accountant, and so on
Licenses and permits			Find out from city offices what you have to have
Advertising and promotion for opening			Estimate what you'll use
Accounts receivable			What you need to buy more stock until credit customers pay
Cash			For unexpected expenses or losses, special purchases, etc.
Other			Make a separate list and enter total
TOTAL ESTIMATED CASH YOU NEED TO START WITH		$	Add up all the numbers in column 2

SOURCE: Small Business Administration, "Checklist for Going into Business," *Small Marketers' Aid No. 71* (Washington, DC: Small Business Administration, 1975).

BEST COPY AVAILABLE

Blank Financial Forms

Capital Equipment List

Major Equipment	**Cost or List Price**
Minor Equipment	

Capital Equipment Total: ______________

BEGINNING BALANCE SHEET

Current Assets	$	Current Liabilities	
		Long-Term Liabilities	$
Fixed Assets	$		
		Net Worth:	
Total Assets	$____________	Total Liabilities and Net Worth	$________________

Blank Financial Forms—*continued*

BEGINNING ACCOUNTS PAYABLE

Source	Dollar Amount Cash Value
Total	$__________________

PROJECTED ANNUAL INCOME STATEMENT

(+)	Sales		$
	Cost of Materials and Goods		$
	Variable Labor Costs		$
(–)	Cost of Goods Sold		$________
(=)	Gross Margin		$________
(–)	Operating Expenses		$
(–)	Fixed Expenses		$________
(=)	Total Expenses		$
(+)	Gross Margin		$
(–)	Total Expenses		$________
(=)	Net Profit or Loss (before taxes)	(–)	$________

HO 7-5

Blank Financial Form—*continued*

CASH FLOW PROJECTION

		Jan.	Feb.	Mar.
(+)	(1) Cash Receipts			
(–)	Variable Cash Disbursements			
(–)	Fixed Cash Disbursements			
(–)	Loan Payments			
(=)	(2) Total Cash Disbursements			

(+)	(1) Cash Receipts			
(–)	(2) Cash Disbursements			
(=)	(3) Net Cash Flow			

MONTHLY CASH BALANCE (end of month)

		Jan.	Feb.	Mar.
(+)	Loan Proceeds			
(+)	Cash on Hand			
(+)	Cash Receipts			
(−)	Cash Disbursements			
(=)	New Month's End Balance			

SOURCES AND APPLICATION OF FINANCING

Sources

Bank Loans

1. Mortgage Loan
2. Term Loan
3. Credit Loan

Total $

Applications

Purchase Building

Equipment

Renovations

Inventory

Working Capital

Reserve

Total $

HO 7-6

Completed Financial Forms for EverReady Repair Service Case Study

WORKSHEET

ESTIMATED MONTHLY EXPENSES			
Item	Your estimate of monthly expenses based on sales of $ 35,000 per year	Your estimate of how much cash you need to start your business (See column 3.)	What to put in column 2 (These figures are typical for one kind of business. You will have to decide how many months to allow for in your business.)
	Column 1	Column 2	Column 3
Salary of owner/manager	$ 1,000	$ 3,000	2 times column 1
All other salaries and wages	------	------	3 times column 1
Rent	------	------	3 times column 1
Advertising	30	90	3 times column 1
Delivery expense	------	------	3 times column 1
Supplies	10	30	3 times column 1
Telephone and telegraph	100	300	3 times column 1
Other utilities	------	------	3 times column 1
Insurance	100	100	Payment required by insurance company
Taxes, including Social Security	200	800	4 times column 1
Interest	980	2,940	3 times column 1
Maintenance	30	90	3 times column 1
Legal and other professional fees	50	150	3 times column 1
Miscellaneous	25	75	3 times column 1
STARTING COSTS YOU ONLY HAVE TO PAY ONCE			Leave column 2 blank
Fixtures and equipment		1,000	Fill in worksheet 3 on page 12 and put the total here
Decorating and remodeling		250	Talk it over with a contractor
Installation of fixtures and equipment		------	Talk to suppliers from who you buy these
Starting inventory		2,000	Suppliers will probably help you estimate this
Deposits with public utilities		------	Find out from utilities companies
Legal and other professional fees		50	Lawyer, accountant, and so on
Licenses and permits		120	Find out from city offices what you have to have
Advertising and promotion for opening		200	Estimate what you'll use
Accounts receivable		300	What you need to buy more stock until credit customers pay
Cash		900	For unexpected expenses or losses, special purchases, etc.
Other		75	Make a separate list and enter total
TOTAL ESTIMATED CASH YOU NEED TO START WITH		$ 12,470	Add up all the numbers in column 2

SOURCE: Small Business Administration, "Checklist for Going into Business," *Small Marketers' Aid No. 71* (Washington, DC: Small Business Administration, 1975).

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Repair Service Case Study—*continued*

CAPITAL EQUIPMENT LIST

Major Equipment	**Cost or List Price**
Truck	$16,000
Engine Analyzer	$ 8,000

Minor Equipment	
None	–0–

Capital Equipment Total $24,000

HO 7-6

Completed Forms for EverReady
Repair Service Case Study—*continued*

BEGINNING BALANCE SHEET

Current Assets	$
Cash	900
Accounts Rec.	300
Inventory	2,000
Supplies	75
Fixed Assets	$
Truck	16,000
Equipment	8,000
Telephone Sys.	1,000
Total Assets	$ 28,275

Current Liabilities	
None	–0–
Long-Term Liabilities	$
Truck Loan	16,000
16-month GM Credit Plan	8,000
Net Worth:	
Owner's Equity	$ 4,275
Total Liabilities and Net Worth	$ 28,275

Completed Forms for EverReady

Repair Service Case Study—*continued*

BEGINNING ACCOUNTS PAYABLE

Source	Dollar Amount Cash Value
GM Fleet Contract	$300.
Total	$ 300.

HO 7-6

Completed Forms for EverReady

Repair Service Case Study—*continued*

PROJECTED ANNUAL INCOME STATEMENT

(+)	Sales		$ 35,000
	Cost of Materials and Goods		$ 2,000
	Variable Labor Costs		$ –0–
(–)	Cost of Goods Sold		$ 2,000
(=)	Gross Margin		$ 33,000
(–)	Operating Expenses		$ 30,300
(–)	Fixed Expenses		$ 4,895
(=)	Total Expenses		$ 35,195
(+)	Gross Margin		$ 33,000
(–)	Total Expenses		$ 35,195
(=)	Net Profit or Loss (before taxes)	(–)	$ 2,195

Completed Forms for EverReady

Repair Service Case Study—continued

CASH FLOW PROJECTION

		Jan.	Feb.	Mar.
(+)	(1) Cash Receipts	$ 2,917	2,917	2,917
(–)	Variable Cash Disbursements	195	195	195
(–)	Fixed Cash Disbursements	1,350	1,350	1,350
(–)	Loan Payments	980	980	980
(=)	(2) Total Cash Disbursements	$ 2,525	2,525	2,525

(+)	(1) Cash Receipts	$ 2,917	2,917	2,917
(–)	(2) Cash Disbursements	2,525	2,525	2,525
(=)	(3) Net Cash Flow	(+) $ 392	(+) 392	(+) 392

HO 7-6

Completed Forms for EverReady Repair Case Study—*continued*

MONTHLY CASH BALANCE (end of month)

		Jan.	Feb.	Mar.
(+)	Loan Proceeds	–0–	–0–	–0–
(+)	Cash on Hand	900	900	900
(+)	Cash Receipts	2,917	2,917	2,917
(–)	Cash Disbursements	2,525	2,525	2,525
(=)	New Month's End Balance	$ 1,292	$ 1,292	$ 1,292

Completed Forms for EverReady

Repair Service Case Study—*continued*

SOURCES AND APPLICATION OF FINANCING

Sources

Bank Loans		
1. Mortgage Loan		
2. Term Loan		16,000
3. Credit Loan		8,000
	Total	$ 24,000

Applications

Purchase Building		
Equipment		24,000
Renovations		
Inventory		
Working Capital		
Reserve		
	Total	$ 24,000

LICENSES AND PERMITS FOR A SMALL BUSINESS

- SOCIAL SECURITY
- INCOME TAXES
- SALES TAXES
- PROPERTY TAXES
- TRUCK LICENSES
- WORKERS' COMPENSATION
- EMPLOYMENT TAXES
- BUSINESS LICENSES

BASIC FINANCIAL PLANNING FORMS

- ESTIMATED COSTS OF STARTING YOUR BUSINESS
- CAPITAL EQUIPMENT LIST
- BEGINNING BALANCE SHEET
- PROJECTED ANNUAL INCOME STATEMENT
- CASH FLOW PROJECTION
- MONTHLY CASH BALANCE ON HAND
- SOURCES AND APPLICATIONS OF FINANCING

Developing a Business Plan

UNIT 8

UNIT 8

Title:

DEVELOPING A BUSINESS PLAN

Purpose: This unit is designed to help participants develop a business plan.

Objective: Upon completion of this unit, participants will know the components of a business plan and will understand how such a plan contributes to the small business owner's success.

Materials:

Handout 8-1: Questions to Be Answered in a Business Plan
Handout 8-2: Business Plan Checksheet
Handout 8-3: A Sample Business Plan

Transparency 8-1: The Business Plan

Product: A Preliminary Business Plan

Assignment: Continue developing a preliminary business plan.

Prepare a presentation of the business plan for the wrap-up session.

Notes to Instructor: The information that has been collected in the community surveys should be utilized to develop the preliminary business plan. In addition, to assist participants in developing their preliminary business plan, the following are suggested:

- The community advisory committee should be present to answer questions and assist in whatever way possible.
- A local college or university with a business management program should be contacted to solicit the assistance of management majors who can act in a consulting capacity.

Participants should continue the development of their business plans as an out-of-class activity and should be instructed to prepare an oral presentation of their plans for the wrap-up session.

An invitation should be extended to each mentor or business advisor and to the committee members to attend the wrap-up session.

Estimated Time:

Description of a business plan and checksheet activity	60 minutes
Development of a preliminary business plan	120 minutes

CONTENT	PROCESS
In this unit, you will combine the information you have collected from the community surveys (consumer, product or service, competitor) to develop a plan by which you can start up and operate your small business.	
Before actually writing your plan, we need to talk about— • what a plan is, • how a business plan helps a small business owner, and • what information a business plan should include.	
A. What Is a Business Plan?	
Each year, thousands of Americans try to realize their dream of owning their own business. Many of these businesses fail. Why?	Discuss what a business plan encompasses.
Many fail because the entrepreneurs didn't plan carefully before opening the business. A business plan on paper is like a road map—it gets you where you want to go via a well-planned, organized route.	
B. How Does a Business Plan Help Small Business Owners?	
A business plan leads to a sound business structure.	Use TP 8-1: The Business Plan.
The business plan requires the future owner to examine the various types of business organizations to select the best one for the owner's needs. After careful consideration of the types of business structures available, the future owner is in a better position to balance personal needs against the advantages and limitations of each type of organization.	Briefly review the four types of business ownerships (unit 7).
• A business plan produces a marketing plan.	

CONTENT	PROCESS
The marketing plan identifies the company's typical customers and tells how to attract and keep them. It is vital to the success of the business. Thinking through every aspect of the marketing strategy in advance will help you decide how the new business can be superior to the competition.	Briefly review the four marketing elements (unit 6).
• A business plan clarifies financial needs. The business plan clarifies the financial needs of the business. It will receive careful review by the bankers, lending agencies, or individuals who might make money available to start the business. The financial plan includes an estimate of the dollars needed to open the business and to sustain it for 18 months. The annual and monthly flow of cash must be projected for the first year of operation. The sales volume required to produce the anticipated cash must be calculated.	Briefly review financial planning aspects (unit 7).
• A business plan identifies management pathways. The business plan helps you identify your management needs and provides a path for you to follow while the business is young. Actually, the management plan for the first year of operation is the heart of the business plan. You will include plans for organizing the business, supervising employees, controlling finances, conforming to government regulations, and assuming the role of owner-manager in the business.	
• A business plan serves as a communication tool. Finally, your business plan will become an important communication tool. It will serve as a means of orienting investors, training personnel, and briefing suppliers to the business. All of these	

CONTENT	PROCESS
persons need to find out about your business. A well-prepared business plan will say it for you clearly and concisely.*	
C. What Information Should a Business Plan Include?	Distribute and discuss HO 8-1: Questions to Be Answered in a Business Plan and HO 8-2: Business Plan Checksheet.
The business plan contains four major parts: • Description of the business • Marketing plan • Organization plan • Financial plan	Distribute HO 8-3: A Sample Business Plan.
D. Developing a Business Plan	
Using the information you have about your particular business, information we have discussed in class, and the various handouts and forms, you will spend the rest of this class working on your individual business plans.	Ask participants to develop a simple narrative description of a business plan incorporating the four major parts just discussed. The Mariner's Catch sample and their community survey information should be useful.
You are encouraged to confer with each other and individual members of the community advisory committee (or college or university students).	
These plans will be shared with the entire class in a wrap-up session during the 10th class meeting. Remember that the committee members and your mentors are invited to this session also.	

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*M. Catherine Ashmore and Sandra G. Pritz, comp., "Developing the Business Plan," Level 2, Research and Development Series no. 240 BB 3, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1983), 3-4.

CONTENT	PROCESS
E. Assignment You should continue to work on your business plan. Part of the next class will be spent in answering your questions and handling individual problems.	Continue to work on business plan.

HO 8-1

Questions to Be Answered in a Business Plan

1. Description of the Business
   - a. What type of business are you planning?
   - b. What products or services will you sell?
   - c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?
   - d. Why does it promise to be successful?
   - e. What are the growth opportunities?

2. Marketing Plan
   - a. Who are your potential customers?
   - b. How will you attract and hold your share of the market?
   - c. Who are your competitors? How are their businesses prospering?
   - d. How will you promote sales?
   - e. Who will be your best suppliers? Why?
   - f. Where will the business be located?
   - g. What factors will influence your choice of location?
   - h. What features will your location have?
   - i. How will your building contribute to your marketing strategy?
   - j. What will your building layout feature?

3. Organization Plan
   - a. Who will manage the business?
   - b. What qualifications will you look for in a manager?
   - c. How many employees will you need? What will they do?
   - d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?
   - e. How will you manage finances?
   - f. How will you manage recordkeeping?
   - g. What consultants or specialists will you need? Why will you need them?
   - h. What legal form of ownership will you choose? Why?
   - i. What licenses and permits will you need?
   - j. What regulations will affect your business?

4. Financial Plan
   - a. What is your total estimated business income for the first year?
     Monthly for the first year?
     Quarterly for the second and third years?
   - b. What will it cost you to open the business and sustain it for eighteen months of operation?
   - c. What will be your monthly cash flow during the first year?
   - d. What will your personal monthly financial needs be?
   - e. What sales volume will you need in order to make a profit during the first three years?
   - f. What will be the break-even point?
   - g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?
   - h. What will the capital value of your equipment be?
   - i. What will your total financial needs be?
   - j. What will your potential funding sources be?
   - k. How will you use the money from lenders or investors?
   - l. How will the loan be secured?

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Developing the Business Plan," Level 2, Research and Development Series no. 240 BB 3, *Program for Acquiring Competence in Entrepreneurship (PACE)*, Revised (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 167.

HO 8-2

Business Plan Checklist

Search the sample Business Plan for the answers to the questions. Decide whether the answers are clear and complete. Evaluate the Business Plan as though you were the lending agency.

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
1. Description of the Business			
a. What type of business are your planning?			
b. What products or services will you sell?			
c. What type of opportunity is it (new, part-time, expansion, seasonal, year-round)?			
d. Why does it promise to be successful?			
e. What are the growth opportunities?			

Comments about the Description of the Business (Discuss strengths or weaknesses from the lender's point of view.)

2. Marketing Plan			
a. Who are your potential customers?			
b. How will you attract and hold your share of the market?			
c. Who are your competitors? How are their businesses prospering?			
d. How will you promote sales?			
e. Who will be your best suppliers? Why?			
f. Where will the business be located?			
g. What factors will influence your choice of location?			
h. What features will your location have?			
i. How will your building contribute to your marketing strategy?			
j. What will your building layout feature?			

Comments about the Marketing Plan (Discuss strengths or weaknesses from the lender's point of view.)

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Instructor's Guide," Level 2, Research and Development Series no. 240 BA, *Program for Acquiring Competence in Entrepreneurship (PACE), Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 168-170.

Business Plan Checklist—*Continued*

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
3. Organization Plan			
a. Who will manage the business?			
b. What qualifications will you look for in a manager?			
c. How many employees will you need? What will they do?			
d. What are your plans for employee hiring, salaries and wages, benefits, training, and supervision?			
e. How will you manage finances?			
f. How will you manage recordkeeping?			
g. What consultants or specialists will you need? Why will you need them?			
h. What legal form of ownership will you choose? Why?			
i. What licenses and permits will you need?			
j. What regulations will affect your business?			

Comments about the Organization Plan (Discuss strengths or weaknesses from the lender's point of view.)

4. Financial Plan			
a. What is your total estimated business income for the first year? Monthly for the first year? Quarterly for the second and third years?			
b. What will it cost you to open the business and sustain it for eighteen months of operation?			
c. What will your monthly cash flow be during the first year?			
d. What will your personal monthly financial needs be?			
e. What sales volume will you need in order to make a profit during the first three years?			
f. What will be the break-even point?			
g. What will be your projected assets, liabilities, and net worth on the day before you expect to open?			

Business Plan Checklist—*Continued*

	Checkmark if answer is included	Answer is clear (Yes or No)	Answer is complete (Yes or No)
4. Financial Plan (Continued)			
h. What will the capital value of your equipment be?			
i. What will your total financial needs be?			
j. What will your potential funding sources be?			
k. How will you use the money from lenders or investors?			
l. How will the loan be secured?			

Comments about the Financial Plan (Discuss strengths or weaknesses from the lender's point of view.)

A Sample Business Plan

I. DESCRIPTION OF BUSINESS

MARINER'S CATCH SEAFOODS, INC. is a fish market that specializes in selling extremely fresh (no more than one day from the boat) seafood to both retail and wholesale customers. At present, 60 percent of sales are to retail customers. We plan to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Our experience has shown that even though the markup is lower for wholesale trade, profits are higher due to lower personnel costs and faster turnover of inventory.

The company began business four years ago and is open seven days a week, from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:00 a.m. to 8:30 p.m. for wholesale. The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale demand is consistent and increasing. We feel that the latter can be improved by more direct selling. Our customers agree. The quality of our seafood is exceptional and, since Mr. Swanson is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty maintaining good relations with our suppliers. We have made a policy of paying premium prices in cash at dockside for the best, freshest fish.

II. MARKETING PLAN

MARINER'S CATCH SEAFOODS, INC. will continue to provide premium quality seafoods to both wholesale and retail customers emphasizing the former. Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Conway. This market has a total population of over 100,000 people and a potential of 300 wholesale customers. Customers will be attracted by: (1) direct approach to restaurants and market, (2) a local radio and newspaper advertising campaign, (3) word-of-mouth advertising from our current customer base, and (4) our location on a heavily traveled tourist route.

Competition

There are three seafood operations directly competing with MARINER'S CATCH SEAFOODS, INC.

(1) Freuhoff's Fish—scattered operation with one truck making the rounds and a small counter leased from a supermarket in Rockaway Village. We have cut into their sales by making promised deliveries on time at the agreed price. As a result, their operation has become marginal.

SOURCE: M. Catherine Ashmore and Sandra G. Pritz, comp., "Developing the Business Plan," Level 2, Research and Development Series no. 240 BB 3, *Program for Acquiring Competence in Entrepreneurship (PACE)*, *Revised* (Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982), 9-26.

A Sample Business Plan—*Continued*

(2) The Kingfish—clean, three-person operation specializing in cheaper fish. Have trouble with their suppliers because they aren't willing to pay top dockside prices. Otherwise, sell directly to housewives from a fleet of three trucks, some wholesale trade that they hope to expand. Their sales are apparently expanding because they have been serving the same routes for five years and have an excellent reputation. Located in Portsmouth.

(3) Jonah's Seafoods—good relations with suppliers, have most of the supermarket trade, no retail. Currently rebuilding due to fire, but will be our most serious competition when the new store opens. Twenty-five years of experience in the area, good location on scenic bridge over the Inlet two miles south of MARINER'S CATCH on tourist route; plan to open retail store and may be willing to give up part of wholesale since the owner is getting on in years.

The indirect competition is from the major processors in New Hope (45 miles east) and Bristol (60 miles south). Since we fall between their primary market areas, we can purchase from both on a consignment basis.

Location

MARINER'S CATCH is currently leasing a one-story, wooden frame building with cement floor (22,000 square feet) at 801 Fisherman's Harbor Road, Conway, Rhode Island, for $175 per month with an option in writing to buy at $22,000. The area is zoned for commercial use. Fisherman's Harbor Road is part of U.S. Route 1, a heavily traveled tourist route with most businesses nearby catering to the tourist trade.

MARINER'S CATCH has performed major leasehold improvements, including a walk-in freezer and rough-sawn, pine board walls. The building is divided into: (1) sales/counter area (1,200 square feet); (2) cutting area (100 square feet); and (3) other (space for toilet, potential storage and/or sales area, totaling 700 square feet).

III. ORGANIZATION PLAN

Management

Mr. Swanson was born in Conway and has lived there all his life. After graduating from Conway schools and serving in the U.S. Navy for three years, he became a self-employed fisherman, taking evening courses in small business management and sales at R.I. State, with the ultimate aim of owning and managing a retail store. He also serves as a member of the zoning board for Conway.

A Sample Business Plan—*Continued*

Ms. Switzer was born in Milwaukee, Wisconsin, in 1950, attended schools in Utah, Alaska, and Florida, and served four years in the Marines (rank upon separation, E-3). She test-drove motorcycles for a year, then served as Parts Manager for Moped Cycles, Inc., before joining the CASH & HAUL FOODSTUFF, INC., as a packer in March 1973 in their Kennebunkport, Maine plant. In June, 19— she resigned as line foreman of the Frozen Food Filleting Department to join Swanson in the MARINER'S CATCH operation. She lives in Inlet Bay.

Both are healthy and energetic; they believe their abilities complement each other and will permit them to make MARINER'S CATCH a success. In particular, Swanson knows all of the fishermen while Switzer has had experience in cost control and line management. He will be responsible for the store and inventory control. Switzer will be primarily responsible for the development of the wholesale business and, with Swanson, will set policy. Personnel decisions will be made jointly.

Salaries will be $215 a month for the first year to enable the business to pay off startup costs. (Swanson's wife earns enough to support his family; Switzer's personal expenditures are very low, since she shares a house with five other adults.) In the second year the managers will earn $600 a month; in the third year $660 a month, with any profit returned to the business.

In order to augment their skills, Switzer and Swanson have enlisted the help of Edward Allen, a CPA, and of James Woodall, Attorney. Other potential resources have been located, including the Conway Business Information Center (Andrew Beale), Rhode Island State's Venture Incubator Division, the Small Business Association of New England, and the Fish Retailers Organization for Growth (FROG). Marshall Campbell, a retired Conway banker, has agreed to serve on the MARINER'S CATCH board and will provide ongoing management review. Other members of the board are Allen, Woodall, Switzer, and Swanson.

Personnel

MARINER'S CATCH will hire one part-time salesperson within six months. The salesperson's duties will be selling seafoods over the counter to the retail customers. He or she will be paid the minimum wage ($3.70) for weekend work; no fringe benefits or overtime are anticipated. They will also employ, on an as-needed basis, one cutter at $3.75/hour to help prepare seafood for the wholesale trade.

A Sample Business Plan—*Continued*

Switzer's Experience

March 19-- - June 19--: Two years as line foreman, CASH & HAUL FOODSTUFF, INC., Kennebunkport, Maine. Responsible for hiring, training and directing operations of 15 persons in Frozen Fish Filleting department. Rescheduled work flow with resultant 30 percent increase in output per worker. Implemented new purchasing system that reduced spoilage by 8 percent. Reduced personnel turnovers by working with local union for revision of company contract policy, and by shifting from production line to team task approach. Received CASH & HAUL FOODSTUFF, INC., award for line management and was given special assignment to explain these changes to other line foremen at all 22 company plants in New England and the Middle Atlantic states.

Swanson's Experience

Frank Swanson is a former fisherman in the area with many personal friends in the fishing industry and good relationships with seafood industry suppliers. He is a native of Conway and has lived here all his life—except for three years in the U.S. Navy after high school graduation. He supported himself for several years as a self-employed fisherman while he took evening classes in retail store management and small business management. He is healthy, energetic, and well-liked. He will be responsible for store management, company policy, and inventory control.

IV. FINANCIAL PLAN

Application and Expected Effect of Loan

The 36,000 will be used as follows:

Purchase of 801 Fisherman's Harbor Road property		$22,000
Equipment:	• '71, Ford pickup with insulated body	1,885
	• Dayton compressor (used, serial no. 45-cah-990)	115
	• Sharp Slicer (used, Speedy model)	200
Renovations		4,000
Working capital		4,000
Inventory		500
Reserve (not disbursed)		3,300
	TOTAL	$36,000

A Sample Business Plan—*Continued*

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19-- . An independent appraiser has calculated the value of the property, including leasehold imporvements by MARINER'S CATCH, at $30,000. The monthy payment for a 12-year mortgage will be $250 a month, a net increase of $75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

The truck will be used to deliver merchandise to wholesale customers, retard spoilage, and maintain the quality of our merchandise.

The compressor will replace the compressor now used for the refrigeration unit and should lower electric costs.

The slicer will eliminate four person-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are: a deep well (water) required by the state: a toilet and wash sink separate from the work area; and replacement of the current obsolete heating system, thus reducing fuel expenses.

The working capital will enable MARINER'S CATCH to meet current expenses, offset negative (seasonal) cash flow as shown in the Working Capital Analysis in FINANCIAL DATA, and insure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh frozen packaged goods (baitfish, South African lobster tails).

The reserve will be held by the bank as a line of credit to be used to take advantage of special opportunities or to meet emergencies.

Summary

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19-- . An independent appraiser has calculated the value of the property, including leasehold improvements by MARINER'S CATCH, at $30,000. The monthy payment for a 12-year mortgage will be $250 a month, a net increase of $75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

A Sample Business Plan—*Continued*

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Switzer's local reputation will help secure a sizeable protion of the wholesale market, while Swanson's managerial experience assures that the entire operation will be carefully controlled. In addition to a working board, Switzer's studies at Rhode Island State will provide even more control over the projected growth of MARINER'S CATCH.

The funds sought will result in a greater increase in fixed assets than may be shown, as Switzer will be performing much of the renovation and improvements. The additional reserve and working capital will enable MARINER'S CATCH to increase their sales substantially while maintaining profit.

A Sample Business Plan—*Continued*

FINANCIAL DATA

MARINER'S CATCH SEAFOODS, INC.

Sources and Applications of Financing

Sources

Bank Loans:

1. Mortgage loan	$22,000	
2. Term loan	10,700	
3. Reserved loan	3,300	
Total		$36,000

Applications

Purchase building	$22,000	
Equipment	2,200	
Renovations	4,000	
Inventory	500	
Working capital	4,000	
Reserve for contingencies	3,300	
Total		$36,000

To be secured
by
Assets of the Business
Signatures of the Principals
Marian Switzer
Frank Swanson

SBA Guarantee

A Sample Business Plan—*Continued*

MARINER'S CATCH SEAFOODS, INC.
CAPITAL EQUIPMENT LIST

Major Equipment and Normal Accessories	Model	Cost or List Price (Lower)
Storequip, Inc., display case, glass front refrigerated	Handmade	$ 200
Storequip, Inc., display case, glass front, ice	SST6-77K	400
Dayton air compressor	#45-cah-990	115
Bendix standing freezer	3979-7584	125
Nameless, Inc., standard freezer	-	50
Cleaning table, fiberglassed	Handmade	200
Freezing locker & compressor	Handmade	3,000
	TOTAL:	$4,290
Minor Shop Equipment		
Miscellaneous knives, scalers, etc.	-	$ 75
Miscellaneous display trays, storage boxes	-	50
	TOTAL:	$ 125
Other Equipment		
Pickup truck with insulated body	1971 Ford, Lo-bed	$1,885
Safe	1879 Mosler	100
Cash register	1869 NCR	50
Calculator	TI-120	65
Light fixture	Custom design	100
	TOTAL:	$2,200
CAPITAL EQUIPMENT	TOTAL:	$6,615

A Sample Business Plan—*Continued*

MARINER'S CATCH SEAFOODS, INC.

BEGINNING BALANCE SHEET

October 15, 19__

Current Assets		Current Liabilities	
Cash	$ 530	Accounts payable	$ 2,077
Accounts receivable (net)	100	Current portion LTD	1,440
Merchandise inventory	700	Total Current Liabilities	$ 3,517
Supplies	175		
Prepaid expenses	80	Long-Term Liabilities	
Total Current Assets	$ 1,585	Notes payable (a)	$ 535
Fixed Assets		Bank loan payable (b)	1,360
Fixtures & leasehold improvements	$ 3,750	Equity loan payable (c)	1,250
Building (freezer)	3,000	Total Long-term Liabilities	$ 3,145
Equipment	1,100	Total Liabilities	$ 6,662
Trucks	2,500	Net Worth: Owner Equity	$ 5,273
Total Fixed Assets	$10,350		
TOTAL ASSETS	$11,935	TOTAL LIABILITIES AND NET WORTH:	$11,935

Accounts payable:		
	Cleaver's, Inc.	$1,700
	Dosser's	119
	Paxton	180
	Conway Reefer	78
		$2,077

(a) Dave N. Hall for electrical work
(b) Term loan secured by '64 Jeep, '71 Ford
(c) S & C Greer Finance Corp. Belmont, N.H.

A Sample Business Plan—*Continued*

ANNUAL PROJECTED INCOME STATEMENT

MARINER'S CATCH SEAFOODS, INC.

Three-Year Summary

	Year I	Year II	Year III
Sales			
Wholesale	$27,400	$ 68,800	$ 84,000
Retail	40,400	91,000	91,000
Total: Sales	67,800	159,800	175,000
Cost of material	52,884	124,625	136,550
Variable labor cost	900	3,250	5,200
Cost of goods sold	53,784	127,875	141,750
Gross margin	14,016	31,925	33,250
Operating Expenses			
Utilities	1,200	1,680	1,920
Salaries	5,160	14,400	16,000
Payroll taxes and benefits	480	1,360	1,360
Advertising	480	720	720
Office supplies	120	180	180
Insurance	600	600	600
Maintenance & cleaning	240	300	300
Legal & accounting	500	740	740
Delivery expense	1,320	1,802	1,764
Licenses	60	60	60
Boxes, paper, etc.	120	240	240
Telephone	600	720	720
Depreciation	480	480	840
Miscellaneous	275	400	400
Total: Operating expenses	11,640	23,682	25,404
Other: Expenses			
Interest (mortgage) 9.75%	2,160	2,160	2,160
Interest (loan) 10.75%	900	900	900
Total: Other expenses	3,060	3,060	3,060
Total: All expenses	14,700	26,742	28,500
Net profit (loss) before taxes	(684)	5,183	4,750

MONTHLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.
October 19__ to September 19__

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Total
Cash Receipts													
Income from sales													
Wholesale	1,000	1,200	1,400	1,600	1,800	2,200	2,400	2,800	3,100	3,100	3,300	3,500	27,400
Retail	3,000	3,100	3,100	2,900	2,700	2,800	3,300	3,700	3,900	3,900	4,000	4,000	40,400
Total: Cash receipts	4,000	4,300	4,500	4,500	4,500	5,000	5,700	6,500	7,000	7,000	7,300	7,500	67,800
Cash disbursements													
Cost of goods	3,120	3,354	3,510	3,510	3,510	3,900	4,446	5,070	5,460	5,460	5,694	5,850	52,884
Variable labor								200	200	200	200	100	900
Advertising	100	25	25	25	25	40	40	40	40	40	40	40	480
Insurance			150			150			150			150	600
Legal & accounting		125			125			125			125		500
Delivery expense	80	85	90	95	100	110	110	120	130	130	135	135	1,320
Fixed cash disbursements	688	688	688	688	688	688	688	688	688	688	688	688	8,256
Loan #1	145	145	145	145	145	145	145	145	145	145	145	145	1,740
Mortgage	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Total cash disbursements	4,383	4,672	4,858	4,713	4,843	5,283	5,679	6,638	7,063	6,913	7,277	7,358	69,680
Net cash flow	(383)	(372)	(358)	(213)	(343)	(283)	21	(138)	(63)	87	23	142	(1,880)
Cumulative cash flow	(383)	(755)	(1,113)	(1,326)	(1,669)	(1,952)	(1,931)	(2,069)	(2,132)	(2,045)	(2,022)	(1,880)	

Fixed cash disbursements	
Utilities	100
Salaries	430
Payroll taxes & benefits	40
Office supplies	10
Maintenance & cleaning	20
Licenses	5
Boxes, paper, etc.	10
Telephone	50
Miscellaneous	23
	$688

		Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
Cash on hand:	Loan proc.	4,000											
	Cash	535											
Opening Balance		4,535	4,152	3,780	3,422	3,209	2,866	2,583	2,604	2,466	2,403	2,490	2,513
+ Cash receipts		4,000	4,300	4,500	4,500	4,500	5,000	5,700	6,500	7,000	7,000	7,300	7,500
Total new balance		4,152	3,780	3,422	3,209	2,866	2,583	2,604	2,466	2,403	2,490	2,513	2,655

QUARTERLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.
Quarterly for Years 2 and 3

	1st QTR Year 2 (Dec)	2nd QTR Year 2 (Mar)	3rd QTR Year 2 (Jun)	4th QTR Year 2 (Sept)	TOTAL Year 2	1st QTR Year 3 (Dec)	2nd QTR Year 3 (Mar)	3rd QTR Year 3 (Jun)	4th QTR Year 3 (Sept)	TOTAL Year 3
Cash receipts										
Income from sales										
Wholesale	14,800	16,000	18,000	20,000	68,000	18,000	20,000	22,000	24,000	84,000
Retail	21,000	21,000	22,000	27,000	91,000	21,000	21,000	22,000	27,000	91,000
Total: Cash receipts	35,800	37,000	40,000	47,000	159,800	39,000	41,000	44,000	51,000	175,000
Cash disbursements										
Cost of goods	27,925	28,850	31,200	36,650	124,625	30,450	32,000	34,300	39,800	136,550
Variable labor	750	750	750	1,000	3,250	1,000	1,200	1,500	1,500	5,200
Advertising	180	180	180	180	720	180	180	180	180	720
Insurance	150	150	150	150	600	150	150	150	150	600
Legal & accounting	185	185	185	185	740	185	185	185	185	740
Delivery expense (1)	387	420	471	524	1,802	378	420	462	504	1,764
Fixed cash disbursements	4,772	4,805	4,856	4,909	19,342	5,263	5,305	5,347	5,389	21,304
Loan #1	435	435	435	435	1,740	435	435	435	435	1,740
Mortgage	750	750	750	750	3,000	750	750	750	750	3,000
Total cash disbursements	35,660	36,585	38,935	44,635	155,815	38,935	40,685	43,285	48,785	171,690
Net cash flow	140	415	1,065	2,365		65	315	715	2,215	3,310
Cumulative cash flow		555	1,620	3,985		4,050	4,365	5,080	7,295	

Fixed cash disbursements	Year 2	Year 3
Utilities	140	160
Salaries	1,200	1,333.33
Payroll Taxes&Benefits	113.33	126.50
Office supplies	15	15
Maintenance & Cleaning	25	25
Licenses	5	5
Boxes, paper, etc.	20	20
Telephone	60	60
Miscellaneous	33.33	33.33
Fixed cash disbursements (Quarterly average)	4,835	5,335

(1) Year 2 delivery expenses computed at 2.62 percent of wholesale sales
Year 3 delivery expenses computed at 2.10 percent of wholesale sales

Note: As the wholesale business increases, it is anticipated that route efficiency will also increase, causing delivery expenses to decrease

BREAK-EVEN ANALYSIS

The proprietors of MARINER'S CATCH utilized the following formula:

Fixed Costs (FC) = $1,225 per month
Variable Costs (VC) = 80% of gross sales (from experience)
Gross Margin (GM) = 20% of sales (100% − 80% = 20%) 20% = .20

Thus: Sales (S) = FC — GM
S = $1,225 ÷ .20
S = $6,125 per month

The figure $6,125 represents the level of sales needed to break even each month. By cutting costs (by reducing salaries by $125) fixed costs can be recalculated at $1,100 and the break-even point recalculated at $5,500:

S = 1,100 ÷ .20
S = 5,500 per month

To calculate how many units we need to sell each month, the break-even sales level of $5,500 can be divided by the average unit selling price of $3 to arrive at 1,833 unit sales ($5,500 ÷ $3 = 1,833). Furthermore, if we estimate that a customer purchases two units a week and assume an average of 4.3 weeks per month, the number of customers needed each month to break even is 213 (1,833 ÷ (4.3 x 2) = 213). If this seems a reasonable number of customers, then the break-even figure of $5,500 may be considered reasonable.

Checking these estimates against the Monthly Projected Income Statement, MARINER'S CATCH can expect to reach the break-even point in April at the conservative estimate or in May at the first estimate.

THE BUSINESS PLAN

A BUSINESS PLAN LEADS TO A SOUND BUSINESS STRUCTURE.

A BUSINESS PLAN PRODUCES A MARKETING PLAN.

A BUSINESS PLAN CLARIFIES FINANCIAL NEEDS.

A BUSINESS PLAN IDENTIFIES MANAGEMENT PATHWAYS.

A BUSINESS PLAN SERVES AS A COMMUNICATION TOOL.

Using Resources Available for Small Business Owners

UNIT 9

UNIT 9

Title:

USING RESOURCES AVAILABLE FOR SMALL BUSINESS OWNERS

Purpose: The purpose of this unit is to identify and describe resources for small business owners.

Objectives: Upon completion of this unit, participants will—

- have identified small business resources and
- have ideas about securing needed technical assistance.

Materials:

Handout 9-1: Technical Assistance Assessment
Handout 9-2: Monthly Calendar for Technical Assistance Interviews
Handout 9-3: Resources Available for Small Busines Owners
Handout 9-4: Are You Ready to Become an Entrepreneur?
Handout 9-5: Personal Plan of Action

Transparency 9-1: Resources Available for Small Business Owners

Product: Technical Assistance Assessment

Assignment: Complete the Technical Assistance Assessment and Personal Plan of Action.

Prepare for business plan presentation.

Invite mentor to wrap-up session.

Notes to Instructor: Utilize a panel of three to four persons to talk about resources available for the entrepreneur (see unit content-process outline for sample topics and questions). Panelists could include the following:

- Certified public accountant
- Lawyer
- Minority Business Development Agency (MBDA) representative
- Service Corps of Retired Executives (SCORE) representative
- Local small business administration representative

- College or university representative
- Others

Estimated Time:

Questions about business plan	20 minutes
Discussion of resources	70 minutes
Break	10 minutes
Panel	60 minutes
Assignment	20 minutes

CONTENT	PROCESS
A. Questions and Answers about Business Plan	Allow participants to ask questions concerning their business plans. If questions are extensive, plan to work with participants on an individual basis later.
B. Identifying Resources Available for Entrepreneurs Efforts to promote small business interests are taking place at the Federal, State, and local levels. As these efforts accelerate, there are more resources available to aid the entrepreneur. These resources include the following: • Print and electronic communications • Seminars and workshops • Individual counseling, financial, and management assistance • Lobbying services for entrepreneurs • Secondary and postsecondary courses for the small business owner Recent attempts to establish entrepreneurship education and resource networks are still in developmental stages; however, there are some nationwide small business resources that are available at the Federal, State, and local levels. In unit 3, you started the Community Resource and Technical Assistance File. In this unit, additional resources will be identified that you will want to add to your file.	
Use HO 9-1 to list those responsibilities or tasks that you might be doing for which you need technical assistance. As resources are discussed and you hear one that might serve your need, list them on your sheet—to be contacted at a later date. Later, you may want to add the person or agency to your resource file.	Use HO 9-1 as a self-check activity in class.

CONTENT	PROCESS
HO 9-2 can be used as you schedule appointments with contacts.	Use HO 9-2: Monthly Calender for Technical Assistance Interviews.
The following resources are available: • Federal Government agencies • Local and State agencies • Venture companies • Private sector and special interest groups • Professional and trade associations • Colleges, universities, and entrepreneurship centers	Introduce participants to the kinds of resources that are available for the small business owner. Use TP 9-1 and HO 9-3, both titled Resources Available for Small Business Owners, as examples of resources that are available.
C. Resource Speakers	Invite a panel of three or four people to discuss— • various problems that they can help to solve, • how the entrepreneur can obtain help, • fees and annual expenditures for different size businesses, • criteria for consulting jobs, and • others. Allow time for participants to ask questions.
D. Assignment	Following the panel discussion, suggest that participants add panel members' names to their resource file. Remind participants that presentations for their business plans are due next week. Tell them what should be included and how long individual presentations should be. Distribute HO 9-4: Are You Ready to Become an Entrepreneur? and HO 9-5: A Personal Plan of Action. Ask participants to complete these two handouts outside class.

Technical Assistance Assessment

Responsibility/ Task	Technical Assistance Needed	Agency/Person to Be Contacted for Assistance	Help to Be Requested

Monthly Calendar for Technical Assistance Interviews

(Company Name)

Jan	Feb	Mar	April
May	June	July	Aug
Sept	Oct	Nov	Dec

HO 9-2

Resources Available for Small Business Owners

Federal Government Agencies

1. U.S. Department of Commerce

- **The Interagency Council for Minority Business Enterprise** is an alliance of Federal programs and activities supporting minority enterprise development. The council is chaired by the Secretary of Commerce and the vice-chair is the administrator of the Small Business Administration. Executive-level assistance is available.

  Contact: Interagency Council for Minority Business Enterprise
  Minority Business Development Agency
  U.S. Department of Commerce
  14th Street and Constitution Avenue, NW
  Washington, D.C. 20230
  (202) 377-5061

- **The Minority Business Development Agency (MBDA)** is the government agency created to develop programs to assist minority entrepreneurs. MBDA awards grants and cooperative agreements to State and local government agencies, profit and nonprofit business development organizations, and trade associations to provide management, marketing, financial, and technical assistance to minority entrepreneurs. MBDA has the following programs:

  —Minority Business Development Centers (MBDC) are located across the country in areas with the largest minority populations. They provide management, marketing, and technical assistance to increase business opportunities for minority entrepreneurs.

  —The Acquisition Assistance Program provides technical support services to minority buyers of medium- and large-sized manufacturing firms or high-technology industry such as energy, telecommunications, and medical instrumentation. Assistance is available at all stages of analysis and negotiation in business acquisition opportunities.

  —The American Indian Program is designed to provide American Indians, Eskimos, Aleuts, and their tribal governments with business management and technical assistance. Consultants are provided via grants or cooperative agreements. Economic self-determination for individual and tribal business is the program's goal.

  —The Minority Bank Development Program provides the following assistance to minority-owned banks: intensive assistance to executive officers and top-level management, market development through the solicitation of deposits and loans from governmental units and the private sector, and creation of a capital support program.

  —The Minority Business and Trade Association Program provides information and technical services to members and to the minority business community. Services include: cooperative advertising and group benefits, business promotion and technical services, negotiation of trade discounts, and liaison with Federal, State, and local activities intended to improve the viability of members in respective industries.

Resources Available for Small Business Owners—*Continued*

—Minority Export Development Consultants provide minority business with exposure to international marketing networks, market information, and products and service delivery assistance. Services include: identity of potential markets and specific trade leads, technical assistance to complete international transactions, and coordination of public agencies to increase participation by minority businesses.

Contact: MBDC Regional Offices (see attachment A)

- **The National Minority Supplier Development Council (NMSDC)** conducts a National marketing program to attract private sector business opportunities for minority business persons and to increase corporate procurement from minorities.

  Contact: MBDC Regional Offices (see attachment A)

2. U.S. Small Business Administration (SBA)

- **The Office of Minority Small Business and Capital Ownership Development** formulates and coordinates policies benefiting eligible minority small businesses. It provides direct assistance to minority business as well as works with other agencies, banks, and industry to increase the number of minority-owned businesses and improve their chances of success.

  Contact: SBA Regional Offices (see attachment B)

- **The Small Business Investment Companies** specialize in providing equity funds, long-term loans, and management assistance to small businesses owned by socially and economically disadvantaged individuals.

  Contact: SBA Regional Offices (see attachment B)

- **The Office of Procurement and Technology Assistance** provides small and disadvantaged businesses with the maximum opportunity to participate in Federal contracts.

  Contact: SBA Regional Offices (see attachment B)

- **The Presidential Advisory Committiee on Small and Minority Business Ownership** assists in monitoring and encouraging the placement of subcontracts by the private sector with eligible small and minority businesses. It studies and proposes incentives and assistance needed by the private sector to train, develop, and upgrade such businesses. Membership is presidentially appointed from executive officers of five small businesses and five representatives of minority small businesses.

  Contact: SBA Regional Offices (see attachment B)

Resources Available for Small Business Owners—*Continued*

- **The Service Corps of Retired Executives (SCORE)** is a volunteer group of retired men and women who provide free management counseling. Counselors possess the kinds of managerial, professional, and technical experience useful to owners and managers of small retail, wholesale, service, or manufacturing businesses.

  Contact: SBA Regional Offices (see attachment B)

  or

  National SCORE Office
  1441 L Street, NW
  Washington, D.C. 20416
  (phone number not available)

- **The Active Corps of Executives (ACE)** is a volunteer group of executives from private business and industry who provide free counseling on managerial, professional, and technical topics to small business owners and managers.

  Contact: SBA Regional Offices (see attachment B)

- **The Small Business Institute (SBI) Program** utilizes university and college business majors as counselors to small business. Students work as a team under the guidance of a professor to meet with and counsel small business owners and managers. There is no charge for the service.

  Contact: SBA Regional Offices (see attachment B; for local programs see attachment C)

- **Small Business Development Centers (SBDC)**, through universities and community colleges, work with local trade and business groups, chambers of commerce, SCORE and ACE, and others in support of small business growth. Specifically, the centers provide management and technical assistance to small business owners.

  Contact: SBDC Regional Offices (see attachment D)

- **The Interagency Committee on Women's Business Enterprise** is composed of high-level Federal officials who have responsibility for Federal policies affecting women business owners. The long-range objectives of this committee are to ensure equitable opportunities for and improved government services to women business owners.

  Contact: SBA Regional Offices (see attachment B)

3. **The National Science Foundation (NSF)**, through Innovation Centers and the Small Business Assistance Program, provides information and guidance to research technology-based, small, minority, and women-owned firms.

Resources Available for Small Business Owners—*Continued*

Contact: Office of Small Business Research & Development National Science Foundation
1800 G Street, NW
Room 511-A
Washington, D.C. 20006
(202) 357-7464

4. **The Council of State Community Affairs Agencies (COSCAA)** is a National organization representing State executive-level agencies responsible for a variety of local assistance functions in community development, housing, economic development, and planning and management assistance.

   Contact: Council of State Community Affairs Agencies
   444 North Capitol Street
   Washington, D.C. 20001
   (202) 393-6435

Local and State Agencies

1. The State departments of vocational education, through area vocational and technical schools, serve students at the high school level and offer entrepreneurship training ranging from a fully developed, multiservice program to a single unit within a skills course such as welding or electronics.

   Contact: Local State Departments of Vocational Education in each State

2. Chambers of Commerce are associations of business people that promote the interests of its members and of business in general. Chambers of Commerce work to bring new industries into their communities. These organizations also furnish information about their communities that may help those planning to move into the area.

   Contact: Local Chamber of Commerce

Venture Companies

1. The American Indian National Bank provides banking service to small businesses. Stockholders invest in making resources available to Indian tribes, organizations, and individuals for various Indian enterprises. Offices are located in Washington, D.C., and Albuquerque, New Mexico.

Resources Available for Small Business Owners—*Continued*

Contact: American Indian National Bank
1701 Pennsylvania Avenue
Washington, D.C. 20006
(202) 965-4460

or

American Indian National Bank
2401 12th Street, NW
Albuquerque, NM 87102
(505) 842-1395

Private Sector and Special Interest Groups

1. The Charles Stewart Mott Foundation, using the processes of education, social welfare, and environmental development, funds programs aimed at improving the quality of life seeks to involve everyone in the determination of their lives and the life of the community through self-improvement.

   Contact: Charles Stewart Mott Foundation
   Mott Foundation Building
   Flint, MI 48502
   (313) 238-5651

2. The National Coalition of Hispanic Mental Health and Human Services is a model demonstration project mobilizing public and private resources in Washington, D.C., and San Antonio, Texas, to provide youth with business career information and motivation.

   Contact: National Coalition of Hispanic Mental Health and Human Services
   1015-15th Street, NW
   Washington, D.C. 20005
   (202) 638-0505

3. The National Commission on Resources for Youth (NCRY) is an independent, nonprofit organization that expands opportunities for young people to participate in society. Through a National information-sharing network, NCRY seeks out, encourages, and promotes programs that recognize the capabilities and the developmental needs of young people. NCRY publications deal with entrepreneurship and youth business.

   Contact: NCRY
   36 West 44th Street
   Room 1314
   New York, NY 10036
   (phone number not available)

Resources Available for Small Business Owners—*Continued*

4. The National Minority Business Council (NMBC), through advocacy for minority business, addresses the questions of education, procurement, training, and the treatment of minority enterprises. Services include: a quarterly publication, a legal service program, two seminars each year in continuing management education, and other seminars. NMBC also publishes a National Minority Business Directory.

   Contact: National Minority Business Council, Inc.
   235 East 42d Street
   New York, NY 10017
   (212) 573-2387

5. The United Indian Development Association (UIDA) is a nonprofit corporation founded and directed by American Indians. It provides management services and technical assistance to individual business owners, tribal enterprises, development corporations, and community service centers. Managers are trained to use tools and techniques within the Indian cultural value system and with an appreciation of problems unique to American Indians.

   Contact: UIDA
   1541 Wilshire Boulevard
   Suite 307
   Los Angeles, CA 90017
   (213) 483-1460

   or

   UIDA
   411 J Street
   Suite 7
   Eureka, CA 95501
   (707) 445-8488

   or

   UIDA
   365 West Second Avenue
   Suite 204
   Escondido, CA 92025
   (619) 746-7356

6. The Women's Institute for Housing and Economic Development (WIHED) was established to enable economic self-sufficiency and self-determination for women heads of household by facilitating the initiation of housing and businesses through partnerships between community-based organizations and established corporations. It provides information, contacts, and model development while stimulating long-term, ventures for low-income women that will move them from social dependency to economic self-sufficiency.

Resources Available for Small Business Owners—*Continued*

Contact: WIHED
17 Union Avenue
Boston, MA 02130
(phone number not available)

or

WIHED
22 Anthony Street
Newport, RI 02840
(phone number not available)

Colleges, Universities, and Entrepreneurship Centers

1. The Vocational Studies Center has developed training materials entitled *Steps to Starting a Small Business* as well as offers a self-help program called *Achieving Success in Small Business: A Competency-Based Educational Program for Persons Interested in Small Business Ownership*.

   Contact: The Vocational Studies Center
   University of Wisconsin-Madison
   964 Educational Sciences Building
   1025 West Johnson Street
   Madison, WI 53706
   (608) 263-4357

2. The Center for Private Enterprise and Entrepreneurship has a threefold purpose: (1) to preserve the competitive private enterprise system in America, (2) to promote the entrepreneurial spirit, and (3) to increase understanding concerning the benefits of the private enterprise system. The 10 major aspects of the program are: teacher education programs, private enterprise research, precollege student programs, public education programs, employee economic education, entrepreneurship education, venture capital foundation, innovation evaluation program, entrepreneurial research, and venture assistance program.

   Contact: Center for Private Enterprise and Entrepreneurship
   Hankamer School of Business
   Baylor University
   Waco, TX 76798
   (817) 755-3766

3. The Center for Entrepreneurship and Small Business Management has the following priorities: (1) an academic program in entrepreneurship and small business management, (2) creation and endowment of a professional chair, (3) an information bank and library, (4) research and

Resources Available for Small Business Owners—*Continued*

publication, (5) special interest seminars, (6) films for elementary school students, and (7) a prime-time television program for major network exposure.

Contact: Center for Entrepreneurship and Small Business Management
130 Clinton Hall
Wichita State University
Wichita, KS 67208
(316) 689-3000

4. The Entrepreneurship Institute is an independent, nonprofit organization that works to bring together a consortium of individuals within a community for the purpose of creating innovative, high-growth companies.

Contact: The Entrepreneurship Institute
3592 Corporate Drive
Suite 100
Columbus, OH 43229
(614) 895-1153

5. Hawaii Entrepreneurship Training and Development Institute (HETADI) is a nonprofit, educational, scientific corporation that promotes entrepreneurship development by training entrepreneurs and creating more business opportunities.

Contact: HETADI
Suite 1409
Centure Center
1750 Kalakaua Avenue
Honolulu, HI 96826
(808) 955-8655

HO 9-3

Attachment A

MINORITY BUSINESS DEVELOPMENT CENTERS REGIONAL OFFICES (MBDC)

ALABAMA

Birmingham MBDC
White and Company
15 North 21st Street
Steiner Building
Birmingham, AL 35201
(202) 252-3682

Mobile MBDC
White and Company
951 Government Street
Suite 406
Mobile, AL 36604
(205) 433-4860

Montgomery MBDC
White and Company
3080 Birmingham Highway
Montgomery, AL 36108
(205) 263-8818

ARIZONA

Navajo MBDC
102 Chapter House Road
Fort Defiance, AZ 86504
(602) 729-5763

Phoenix MBDC
Price Waterhouse
3300 North Central Avenue
Suite 2200
Phoenix, AZ 85012
(602) 254-2014

Tuscon MBDC
Price Waterhouse
33 North Stone Avenue
Suite 850
Tuscon, AZ 85701
(602) 622-5700

CALIFORNIA

Anaheim MBDC
BDC of South California
2700 North Main Street
Suite 810
Santa Ana, CA 92701
(714) 667-8200

Bakersfield MBDC
615 California Avenue
Suite 27
Bakersfield, CA 93304
(805) 322-1527

Fresno MBDC
NEDA
2010 North Fine Street
Suite 101
Fresno, CA 93727
(209) 252-7551

Los Angeles MBDC
Cardinal Management
Associates, Inc.
2404 Wilshire Boulevard
Suite 1300
Los Angeles, CA 90057
(213) 385-1335

Southern California MBDC
2651 South Western Avenue
Suite 300
Los Angeles, CA 90018
(213) 731-2131

Los Angeles MBDC
United Indian Development
Association
1541 Wilshire Boulevard
Suite 418
Los Angeles, CA 90027
(213) 483-1460

Escondido MBDC
365 West 2d Avenue
Suite 204
Escondido, CA 92025
(714) 746-7356

Eureka MBDC
411 J Street Number 7
Eureka, CA 95501
(707) 445-8488

Oxnard MBDC
Cardinal Management
Association, Inc.
515 C Street
Oxnard, CA 93030
(805) 486-4701

Riverside MBDC
Operation Second Chance, Inc.
341 West 2d Street
Suite 1
San Bernardino, CA 92401
(714) 844-8764

Sacramento MBDC
Price Waterhouse
455 Capital Mall, Suite 500
Sacramento, CA 95814
(916) 441-2370

Salinas MBDC
R.M.C. Group, Inc.
137 Central, Suite 1
Salinas, CA 93901
(408) 422-3701

San Diego MBDC
San Diego State University
6363 Alvarado Court
Suite 225
San Diego, CA 92120
(714) 265-3684

NOTE: For information about these or additional small business resources, contact Minority Business Development Agency, U.S. Department of Commerce, Washington, D.C., 202/377-2648.

Attachment A—*continued*

San Francisco MBDC
Development Associates
693 Sutter Street
San Francisco, CA 94102
(415) 776-0120

San Jose MBDC
R.M.C. Group, Inc.
2700 Augustine Drive
Suite 242
Santa Clara, CA 95151
(408) 980-0371

Santa Barbara MBDC
Cardinal Management
Associates, Inc.
17 East Carillo Street
Santa Barbara, CA 93101

Stockton MBDC
Price Waterhouse
2291 West March Lane
Suite 227D
Stockton, CA 95207
(209) 474-3553

Vallejo MBDC
Price Waterhouse
1301 Sonoma Boulevard
Vallejo, CA 94590
(916) 554-8816

COLORADO

Denver MBDC
Jonathan Jacobs and
Associates
70 West 6th Avenue
Suite 302
Denver, CO 80204
(303) 595-4744

CONNECTICUT

New Haven MBDC
Burgos and Associates
234 Church Street
Suite 303
New Haven, CT 06510
(203) 773-9399

DISTRICT OF COLUMBIA

Washington MBDC
Leevy, Redcross, Whiting & Co.
2100 M Street NW
Suite 607
Washington, D.C. 20037
(202) 293-1982

DELAWARE

Wilmington MBDC
Alexander Grant
4335 R Street
Gov. Printz Boulevard
Suite 1
Wilmington, DE 19802
(302) 762-0865

FLORIDA

Ft. Lauderdale MBDC
800 West Oakland Park
Boulevard, Suite 311
Ft. Lauderdale, FL 33311
(305) 563-0660

Jacksonville MBDC
Manager's Associates
137 East Forsyth, Suite 303
Jacksonville, FL 32202
(904) 354-8168

Miami MBDC
Economic Development
Corporation
8260 NE 2d Avenue
Miami, FL 33138
(305) 757-3757

Miami MBDC
Economic Development
Corporation
720 NW 27th Avenue
Suite 202
Miami, FL 33135

Orlando MBDC
Manager's Associates
1310 West Colonial Drive
Suite 27
Orlando, FL 32804
(305) 841-2036

Tampa MBDC
International Business
Management, Inc.
1918 West Cass Street
Tampa, FL 33606
(813) 253-3600

West Palm Beach MBDC
International Business
Management, Inc.
2001 Palm Beach Lake
Boulevard, Suite 301
West Palm Beach, FL 33409
(305) 684-4664

GEORGIA

Atlanta MBDC
Boone, Young and
Associates, Inc.
75 Piedmont Avenue, NE
Room 256
Atlanta, GA 30303
(404) 586-0973

Augusta MBDC
Central Savannah River Area
Business League
1208 Laney Walker Boulevard
Augusta, GA 30901
(404) 722-0994

Columbus MBDC
Minority Assistance
Corporation
1214 1st Avenue, Suite 430
Columbus, GA 31901
(404) 324-4253

Attachment A—*continued*

Savannah MBDC
Boone, Young and
Associates, Inc.
31 West Congress Street
Suite 201
Savannah, GA 31401
(912) 236-6708

HAWAII

Honolulu MBDC
U.S. Human Resources
Corporation
1150 South King Street
Suite 203
Honolulu, HI 96814
(808) 531-7502

ILLINOIS

Chicago North MBDC
Price Waterhouse
200 East Randolph Drive
Chicago, IL 60601
(312) 565-1500

Chicago South MBDC
Chicago Economic
Development Corporation
180 North Michigan Avenue
Suite 333
Chicago, IL 60649
(312) 984-5950

Chicago South MBDC
Chicago Economic
Development Corporation
1711 East 71st
Chicago, IL 60649
(312) 684-8250

INDIANA

Gary MBDC
Globe Trotters Engineering
Corporation
567 Broadway
Gary, IN 46402
(219) 883-5802

Indianapolis MBDC
Indianapolis Business
Development Foundation
One Virginia Avenue,
2nd Floor
Indianapolis, IN 46204
(317) 639-6131

KENTUCKY

Louisville MBDC
National Business League
835 West Jefferson Street
Suite 103
Louisville, KY 40202
(505) 589-7401

LOUISIANA

Baton Rouge MBDC
Wybirk and Associates
1676 Dallas Drive, Suite 4
Baton Rouge, LA 70806
(504) 387-1799

New Orleans MBDC
Bruno and Tervaion
650 South Peirce Street
Suite 204
New Orleans, LA 70119
(504) 486-8296

Shreveport MBDC
Charles Cole Co.
3003 Knight Street
Suite 212
Shreveport, LA 71105
(318) 868-0511

MARYLAND

Baltimore MBDC
Control Data Business
Center, Inc.
2901 Druid Park Drive
Baltimore, MD 21215
(301) 462-3700

MASSACHUSETTS

Boston MBDC
Burgos and Associates
15 Court Square, Suite 900
Boston, MA 02108
(617) 723-8520

MICHIGAN

Detroit MBDC
Southeastern Michigan
BDC, Inc.
1505 Woodward Avenue
Suite 700
Detroit, MI 48226
(313) 961-0900

Flint MBDC
Flint Community
Development Corporation
708 Root Street (325A)
Flint, MI 48503
(313) 239-5847

MINNESOTA

Minneapolis MBDC
Control Data Business
Center, Inc.
5441 Viking Drive
Bloomington, MN 55435
(612) 893-4203

Minnesota MBDC
Minnesota Chiopewa Tribe
P.O. Box 217
Cass Lake, MN 56633
(218) 335-2252

MISSISSIPPI

Jackson MBDC
White and Company
1st Magnolia Federal
Building, Suite 409
202 North Congress Street
Jackson, MS 39207
(601) 352-5513

Attachment A—*continued*

MISSOURI

Kansas City MBDC
Laventhol and Horwath
1100 Charter Bank Center
920 Main Street
Kansas City, MO 64105
(816) 221-6500

St. Louis MBDC
Price Waterhouse
1 Centerre Plaza
St. Louis, MO 63101
(314) 425-0500

St. Louis MBDC
Price Waterhouse
1139 Olive Boulevard
St. Louis, MO 63101
(314) 621-7417

NEVADA

Las Vegas MBDC
Nevada Economic
Development Corporation
618 East Carson
Los Vegas, NV 89101
(702) 385-3293

NEW JERSEY

Newark MBDC
Boone, Young and
Associates, Inc.
60 Park Place, Room 1604
Newark, NJ 07102
(201) 623-7710

New Brunswick MBDC
Puerto Rican Congress of NJ
Five Elm Row, Room 400
New Brunswick, NJ 08901
(201) 545-3614

NEW MEXICO

Indian Pueblo Council MBDC
All Indian Development
Association
1015 Indian School Road
Albuquerque, MN 87102
(505) 247-0371

Albuquerque MBDC
NEDA
718 Central SW
Albuquerque, MN 87102
(505) 843-7114

NEW YORK

Bronx MBDC
349 East 149th Street
New York, NY 10451
(212) 665-8583

Brooklyn MBDC
Broone, Young and
Associates, Inc.
105 Court Street
Brooklyn, NY 11201
(212) 852-9001

Buffalo MBDC
Planning Assistance
Consultants, Inc.
250 Delaware Avenue
Suite 4
Buffalo, NY 14202
(716) 842-0750

Manhattan MBDC
Boone, Young and
Associates
551 Fifth Avenue
Suite 320
New York, NY 10176
(212) 661-8044

Nassau Suffolk MBDC
Burgos and Associates, Inc.
150 Broad Hollow Road
Melville, NY 11747
(516) 549-5454

Rochester MBDC
Minority Business Service
Center
16 West Main Street
Rochester, NY 15614
(716) 546-1930

Queens MBDC
Murtha, Gainza and
Associates, Inc.
97-77 Queens Boulevard
Room 708
Forest Hills, NY 11374
(212) 275-8735

NORTH CAROLINA

Charlotte/Gastonia MBDC
Boone, Young and
Associates, Inc.
230 South Tryon Street
Suite 1039
Charlotte, NC 28202
(704) 372-6966

Fayetteville MBDC
Garrett, Sullivan and
Co. CPA
2013-B Murchinson Road
Fayetteville, NC 28301
(919) 488-6350

Greensboro MBDC
Garrett, Sullivan and Co.
701 East Market Street
Greensboro, NC 27401
(919) 273-9461

Raleigh/Durham MBDC
Durham Business and
Professional Chain
116 Parrish Street
Durham, NC 27702
(919) 683-1047

Cherokee MBDC
Eastern Band of Cherokee
Indians
Acquoni Road
P.O. Box 1200
Cherokee, NC 28719
(704) 497-9335

Asheville MBDC
Eastern Band of
Cherokee Indians
165 South French Broad Street
Asheville, NC 28801
(704) 252-2516

OHIO

Cincinnati MBDC
Price Waterhouse
1900 Central Trust Center
Cincinnati, OH 45202
(513) 621-1900

City of Cleveland MBDC
601 Lakeside Avenue
Cleveland, OH 44114
(216) 664-3533

Columbus MBDC
Price Waterhouse
180 East Broad Street
Columbus, OH 43215
(614) 221-8500

Dayton MBDC
Price Waterhouse
350 Gem Plaza
Dayton, OH 45402
(513) 222-2100

OKLAHOMA

Oklahoma City MBDC
1500 NE 4th Street
Suite 101
Oklahoma City, OK 73117
(405) 235-0430

Norman MBDC
Oklahoma for Indian Opportunity
555 Constitution Avenue
Norman, Oklahoma 73069
(405) 329-3737

Tulsa MBDC
569 East 36 Street
North Tulsa, OK 74106
(918) 428-2511

OREGON

Portland MBDC
Impact, Inc.
8959 SW Barbur Boulevard
Suite 102
Portland, OR 97219
(503) 245-9253

PENNSYLVANIA

Philadelphia MBDC
Leevy, Redcross, Whiting and Co.
1818 Market Street
31st Floor
Philadelphia, PA 19103
(215) 561-7300

Pittsburg MBDC
Greater Pittsburgh Business Development Corporation
Allegheney Building
429 Forbes Avenue
Suite 1604
Pittsburgh, PA 15219
(412) 255-6360

PUERTO RICO

Mayaguez MBDC
Yoland De Garcia, Inc.
6015 Marena Station
Mayaguez, Puerto Rico 00708
(809) 933-7783

Ponce MBDC
Development and Market Association
Regional Distribution Center
Makcon Avenue
Playa de Ponce
Ponce, Puerto Rico 00731
(809) 804-3700

San Juan/Caguas MBDC
Asociacion Productos de Puerto Rico
207 O'Neill Street
Hato Rey, Puerto Rico 00936
(809) 753-8484

SOUTH CAROLINA

Charleston MBDC
Affiliated Management
90 Cannon Street
Charleston, SC 29403
(803) 577-4105

Columbia MBDC
Affiliated Management Systems
1712 Saint Julian Place
Room 204
Columbia, SC 29250
(803) 765-0031

Greenville MBDC
Boone, Young and Associates
300 University Ridge
Suite 110A
Greenville, SC 29601
(803) 271-8753

TENNESSEE

Memphis MBDC
Memphis NBL, Inc.
1188 Minna Place
Suite 400
Memphis, TN 38104
(901) 726-9713

Nashville MBDC
Memphis NBL, Inc.
404 James Robertson Parkway, Suite C
Nashville, TN 37219
(615) 256-2687

TEXAS

Austin MBDC
Avante International Systems Corporation
411 West 13th, Room 804
Austin, TX 78701
(512) 478-4501

Beaumont MBDC
SER Jobs for Progress, Inc.
330 Liberty
Beaumont, TX 77701
(713) 833-3426

Brownsville MBDC
Avante International Systems Corporation
855 West Place Road
Suite 30
Brownsville, TX 78520
(522) 544-7173

Attachment A—*continued*

Corpus Christi MBDC
Arthur Vasquez and Company
1001 Louisiana Street
Suite 403
Corpus Christi, TX 78408
(512) 854-2636

Dallas MBDC
Alexander Grant and Company
1800 One Dallas Centre
Dallas, TX 75201
(214) 748-0100

El Paso MBDC
Restrepo and Associates
6420 Escondido, Suite C
El Paso, TX 79912
(915) 581-2739

Houston MBDC
D. Staes and Company
2302 Fannin Street
Room 202
Houston, TX 77002
(713) 758-9553

Laredo MBDC
Avante International
Systems Corporation
800 East Mann Road
Suite 101
Auto Plaza Center
Laredo, TX 79041
(512) 724-8305

McAllen MBDC
Avante International
Systems Corporation
4307 North 10th Street
Suite F
McAllen, TX 78501
(512) 687-8836

San Antonio MBDC
University of Texas
Business Development Center
Hemisfair Plaza
Building 710
San Antonio, TX 78285
(512) 224-1945

Mailing Address:

University of Texas
Business Development Center
San Antonio, TX 78285

UTAH

Salt Lake City MBDC
Price Waterhouse
50 West Broadway
Suite 800
Salt Lake City, UT 84101
(801) 328-2300

VIRGINIA

Newport News MBDC
Tidewater Area Business and
Contractors Association
2601-A Chestnut Aveneue
Newport News, VA 23607
(804) 649-7473

Norfolk MBDC
Boone, Young and
Associates
5 Main Plaza, Suite 1620
Norfolk, VA 23510
(804) 627-5254

WASHINGTON

Richmond MBDC
Sites and Company
1200 6th Avenue
Suite 1810
Seattle, WA 98101
(206) 624-5897

Small Tribes MBDC
Small Tribes Organization
of Western Washington
520 Pacific Avenue
Sumner, WA 98390
(206) 593-2894

WISCONSIN

Milwaukee MBDC
Community Development
600 Walnut Street
Suite 39
Milwaukee, WI 53212
(414) 265-6200

HO 9-3

Attachment B

SMALL BUSINESS ADMINISTRATION REGIONAL OFFICES

60 Batterymarch, 10th Floor
Boston, MA 02110
(617) 223-6660

3214 Federal Building
New York, NY 10278
(212) 264-1450

231 St. Asaphs Road, Room 646
Bata Cynwyd, PA 19004
(215) 596-5901

5 Peachtree Street, NE
5th Floor
Atlanta, GA 30367
(404) 881-4943

838 E. M. Dirksen Federal Building
Chicago, IL 60604
(312) 353-0355

1720 Regal Row, Room 230
Dallas, TX 75235
(214) 767-7643

Old Federal Office Building, 23d Floor
911 Walnut Street
Kansas City, MO 64106
(816) 374-5288

Executive Tower Building, 22d Floor
Denver, CO 80202
(303) 837-5763

Federal Building and U.S. Courthouse
P.O. Box 36044
San Francisco, CA 94102
(415) 556-7487

Dexter Horton Building, 5th Floor
Seattle, WA 98104
(206) 442-5676

Attachment C

SMALL BUSINESS INSTITUTE PROGRAMS BY CITY AND STATE

ALABAMA

- Auburn
  - Auburn University
- Birmingham
  - University of Alabama in Birmingham
- Florence
  - University of North Alabama
- Huntsville
  - University of Alabama in Huntsville
- Jacksonville
  - Jacksonville State University
- Mobile
  - University of South Alabama
- Montgomery
  - Alabama State University
- Troy
  - Troy State University
- University
  - University of Alabama in Tuscaloosa

ALASKA

- Anchorage
  - University of Alaska
- Fairbanks
  - University of Alaska-Fairbanks

ARKANSAS

- Arkadelphia
  - Henderson State University
- Batesville
  - Arkansas College
- Clarksville
  - College of the Ozarks
- Conway
  - University of Central Arkansas
- Fayetteville
  - University of Arkansas at Fayetteville
- Jonesboro
  - Arkansas State University
- Little Rock
  - University of Arkansas at Little Rock
- Magnolia
  - University of Southern Arkansas
- Monticello
  - University of Arkansas at Monticello
- Russellville
  - Arkansas Polytechnical
- Scarcy
  - Harding College

ARIZONA

- Flagstaff
  - Northern Arizona University
- Glendale
  - American Graduate School of International Management
- Tempe
  - Arizona State University
- Tucson
  - University of Arizona

CALIFORNIA

- Arcata
  - Humboldt State University
- Azusa
  - Azusa Pacific College
- Bakersfield
  - California State College-Bakersfield
- Chico
  - California State University-Chico
- Claremont
  - Claremont Men's College
- Dominquez Hills
  - Cal State University-Dominquez Hills
- Fresno
  - California State University-Fresno
- Fullerton
  - Cal State University-Fullerton
- Hayward
  - Cal State University-Hayward
- Long Beach
  - Cal State University-Long Beach
- Los Angeles
  - Cal State University-Los Angeles
  - Loyola-Marymount University
  - University of California at Los Angeles
  - University of Southern California

Attachment C—*continued*

Northridge
    Cal State University-Northridge
Pamona
    Cal State Poly-Pamona
Sacramento
    Cal State University-Sacramento
San Bernardino
    Cal State College-San Bernardino
San Diego
    Point Loma College
    San Diego State University
San Francisco
    San Francisco State University
    University of San Francisco
San Jose
    San Jose State University
San Luis Obispo
    Cal Poly State University-San Luis Obispo
Santa Barbara
    University of California-Santa Barbara
    Westmont College
Stockton
    University of Pacific
Turlock
    California State College—Stanislaus
Whittier
    Whittier College

COLORADO

Alamosa
    Adams State College
Colorado Springs
    University of Colorado-Colorado Springs
Denver
    Denver University
    Metropolitan State College
Durango
    Fort Lewis College
Fort Collins
    Colorado State University
Grand Junction
    Mesa College
Greeley
    University of Northern Colorado
Pueblo
    University of Southern Colorado

CONNECTICUT

Storrs
    University of Connecticut
West Haven
    University of New Haven

DELAWARE

Newark
    University of Delaware

FLORIDA

Boca Raton
    Florida Atlantic University
Coral Gables
    University of Miami
Ft. Lauderdale
    Nova University
Jacksonville
    University of North Florida
Miami
    Florida International University
Orlando
    The University of Central Florida
Tallahassee
    The Florida State Univesity
Tampa
    University of South Florida

GEORGIA

Albany
    Albany State College
Americus
    Georgia Southwestern College
Atlanta
    Atlanta University
    Emory University
    Georgia Institute of Technology
    Georgia State University
Augusta
    Augusta College
Carrollton
    West Georgia College
Marietta
    Southern Technical Institute

Attachment C—*continued*

Milledgeville
    Georgia College
Savannah
    Amstrong State College
    Savannah State College
Statesboro
    Georgia Southern College
Valdosta
    Valdosta State College

HAWAII

Hilo
    University of Hawaii-Hilo
Honolulu
    Chaminade University
    Hawaii Pacific College
    University of Hawaii-Manoa
Maui
    Maui Community College

IDAHO

Boise
    Boise State University
Moscow
    University of Idaho
Pocatello
    Idaho State University

ILLINOIS

Carbondale
    Southern Illinois University-Carbondale
Champaign
    University of Illinois at Urbana-Champaign
Charleston
    Eastern Illinois University
Chicago
    Chicago State University
    De Paul University
    Illinois Institute of Technology
    Roosevelt University
    University of Illinois-Chicago Circle
Decatur
    Millikin University
De Kalb
    Northern Illinois University
Edwardsville
    Souther Illinois University-Edwardsville
Elmhurst
    Elmhurst College
Evanston
    Northwestern University
Jacksonville
    McMurray College
Lebanon
    McKendree College
Lockport
    Lewis University
Macomb
    Western Illinois University
Normal
    Illinois State University
Palos Heights
    Trinity Christian College
Peoria
    Bradley University
Quincy
    Quincy College
Springfield
    Sangamon State University

INDIANA

Anderson
    Anderson College
Angola
    Tri-State University
Bloomington
    Indiana University
Evansville
    Indiana State University-Evansville
    University of Evansville
Fort Wayne
    Indiana-Purdue University
Gary
    Indiana University-Northwest
Goshen
    Goshen College
Greencastle
    DePauw University
Hanover
    Hanover College

Attachment C—*continued*

- Indianapolis
  - Butler University
  - Indiana Central University
- Kokomo
  - Indiana University-Kokomo
- Muncie
  - Ball State University
- New Albany
  - Indiana University-Southeast
- Notre Dame
  - Saint Mary's College
  - University of Notre Dame
- Richmond
  - Indiana University-East
- Terre Haute
  - Indiana State University
- Valparaiso
  - Valparaiso University

IOWA

- Ames
  - Iowa State University
- Cedar Falls
  - University of Northern Iowa
- Cedar Rapids
  - Mt. Mercy College
- Davenport
  - St. Ambrose College
- Des Moines
  - Drake University
- Dubuque
  - University of Dubuque
- Iowa City
  - University of Iowa
- Sious City
  - Briar Cliff

KANSAS

- Emporia
  - Emporia State University
- Hays
  - Fort Hays State University
- Lawrence
  - University of Kansas
- Manhattan
  - Kansas State University
- Pittsburgh
  - Pittsburgh State University
- Sterling
  - Sterling College
- Topeka
  - Washington University
- Wichita
  - Kansas Newman College
  - Wichita State University

KENTUCKY

- Bowling Green
  - Western Kentucky University
- Ft. Mitchell
  - Thomas More College
- Highland Heights
  - Northern Kentucky University
- Lexington
  - University of Kentucky
- Louisville
  - University of Louisville Foundation, Inc.
- Morehead
  - Morehead State University
- Richmond
  - Eastern Kentucky University

LOUISIANA

- Baton Rouge
  - Louisiana State University-Baton Rouge
- Hammond
  - Southeastern University
- Lafayette
  - University of Southwestern Louisiana
- Lake Charles
  - McNeese State University
- Monroe
  - Northeast Louisiana University
- Natchitoches
  - Northwestern State University of Louisiana
- New Orleans
  - Loyola University
  - University of New Orleans
  - Xavier University
- Pineville
  - Louisiana College
- Ruston
  - Louisiana Technological University

Attachment C–*continued*

Shreveport
    Louisiana State University
        In Shreveport
Thibodaux
    Nicholls State University

MAINE

Bangor
    Husson College
Springvale
    Nasson College
Biddesord
    St. Francis College
Orono
    University of Maine/Orono
Portalnd
    University of Southern Maine
    Westbrook College

MARYLAND

Baltimore
    Loyola College
    Morgan State University
    University of Baltimore
College Park
    University of Maryland
Cresaptown
    Frostburg State College
Salisbury
    Salisbury State College

MASSACHUSETTS

Amherst
    University of Massachusetts
Boston
    Boston College
    Northeastern University
    Suffolk University
    University of Mass./Boston
Cambridge
    Massachusetts Institute of
        Technology
Lowell
    University of Lowell
North Adams
    North Adams State College
North Dartmouth
    Southeastern Massachusetts
        University
Salem
    Salem State College
Springfield
    American International College
    Western New England College
Worcester
    Clark University

MICHIGAN

Allendale
    Grand Valley State College
Detroit
    University of Detroit
    Wayne State University
East Lansing
    Michigan State University
Flint
    University of Michigan-Flint
Houghton
    Michigan Technological University
Kalamazoo
    Kalamazoo College
    Western Michigan University
Marquette
    Northern Michigan University
Mount Pleasant
    Central Michigan University
Sault Saint Marie
    Lake Superior State College
Ypsilanti
    Eastern Michigan University

MINNESOTA

Bemidjf
    Bemidjf State University
Deluth
    St. Scholastica College
    University of Minnesota-Duluth
Mankato
    Mankato State University
Moorehead
    Moorehead State University
Morris
    University of Minnesota-Morris

Attachment C—*continued*

Pamona
    Stockton State College
Trenton
    Trenton State College
Montclair
    Montclair State College

NEW MEXICO

Albuquerque
    University of New Mexico
Las Cruces
    New Mexico State University
Las Vegas
    New Mexico Highlands University
Portales
    Eastern New Mexico University
Santa Fe
    College of Santa Fe

NEW YORK

Albany
    SUNY at Albany
Alfred
    Alfred University
Binghamton
    SUNY at Binghamton
Brooklyn
    St. Francis College
Buffalo
    Canisius College
Greenvale
    C.W. Post Center School of Business
    Long Island University
Hempstead
    Hofstra University
Ithaca
    Cornell University
Jamaica
    St. Johns University
Loundonville
    Siena College
New York
    Bernard Baruch College & Research Foundation of the City University of New York
    Pace University
Plattsburg
    SUNY of Plattsburg
Postsdam
    Clarkson College of Technology
Riverdale
    Manhattan College
Rochester
    Rochester Institute of Technology
St. Bonaventure
    St. Bonaventure University
Schenectady
    Union College
Syracuse
    Syracuse University
Utica
    SUNY at Utica/Rome

NORTH CAROLINA

Boone
    Appalachian State University
Chapel Hill
    University of North Carolina-Chapel Hill
Charlotte
    University of North Carolina at Charlotte
Cullowhee
    Western Carolina University
Durham
    North Carolina State University
Greenville
    East Carolina University
Raleigh
    North Carolina State University
Wilmington
    University of NC-Wilmington
Winston-Salem
    Wake Forest University

NORTH DAKOTA

Bismark
    Mary College
Fargo
    North Dakota State University
Grand Forks
    University of North Dakota

Attachment C–continued

St. Cloud
  St. Cloud State University
St. Paul
  St. Thomas College
Northfield
  St. Olaf College
Winona
  Winona State University

MISSOURI

Joplin
  Missouri Southern State College
Kansas City
  Rockhurst College
  University of Missouri-Kansas City
Kirksville
  Northeast Missouri State University
Maryville
  Northwest Missouri State University
St. Joseph
  Missouri Western State College
Springfield
  Southwest Missouri State University

MISSISSIPPI

Cleveland
  Delta State University
Hattiesburg
  University of Southern Mississippi
Jackson
  Jackson State University
  Millsaps College
Mississippi
  Mississippi State
University
  The University of Mississippi

MONTANA

Billings
  Eastern Montana College
Bozeman
  Montana State University
Missoula
  University of Montana

NEBRASKA

Chadron
  Chadron State College
Crete
  Doane College
Hastings
  Hastings College
Kearney
  Kearney State College
Lincoln
  University of Nebraska at Lincoln
Omaha
  Creighton University
Peru
  Peru State College
Wayne
  Wayne State College

NEVADA

Los Vegas
  University of Nevada-Los Vegas
Reno
  University of Nevada-Reno

NEW HAMPSHIRE

Durham
  University of New Hampshire
Manchester
  New Hampshire College
Plymouth
  Plymouth State College

NEW JERSEY

Camden
  Rutgers University
Lincroft
  Brookdale Community College
Madison
  Fairleigh Dickinson University
Mahwah
  Ramapo College
Newark
  New Jersey Institute of Tech.

Attachment C—*continued*

Jamestown
    Jamestown College
Minot
    Minot State College

OHIO

Ada
    Ohio Northern University
Akron
    University of Akron
Athens
    Ohio University
Berea
    Baldwin-Wallage College
Bowling Green
    Bowling Green State University
Cincinnati
    University of Cincinnati
    Xavier University
Cleveland
    Case Western Reserve University
Columbus
    Capital University
    Ohio State University
Dayton
    University of Dayton
    Wright State University
Defiance
    Defiance College
Findlay
    Findlay
Marietta
    Marietta College
New Concord
    Muskingum College
Oxford
    Miami University
Painesville
    Garfield Senior College (Div of Lake Erie College)
Rio Grande
    Rio Grande College
Springfield
    Wittenberg University
Toledo
    University of Toledo
Urbana
    Urbana College
Westerville
    Otterbein College
Wilberforce
    Central State University
    Wilberforce University
Wilmington
    Wilmington College
Youngstown
    Youngstown State University

OKLAHOMA

Ada
    East Central University
Durant
    Southeastern Oklahoma State University
Enid
    Phillips University
Edmond
    Central State University
Lawton
    Cameron University
Norman
    University of Oklahoma
Oklahoma City
    Oklahoma Christian College
Shawnee
    Oklahoma Baptist University
Stillwater
    Oklahoma State University
Tahlequah
    Northeastern Oklahoma State University
Tulsa
    Oral Roberts University
    University of Tulsa
Weatherford
    Southwestern Oklahoma State University

OREGON

Corvallis
    Oregon State University
Eugene
    University of Oregon
LaGrande
    Eastern Oregon State College
Newberg
    George Fox College

Attachment C—*continued*

- Portland
  - Portland State University
  - University of Portland
- Salem
  - Williamette University

PENNSYLVANIA

- Bethlehem
  - Lehigh University
- California
  - California State College
- Chester
  - Widener College
- Cheyney
  - Cheyney State College
- Erie
  - Gannon College
- Gettysburg
  - Gettysburg College
- Indiana
  - Indiana University of Pennsylvania
- Lewisburg
  - Bucknell University
- Middletown
  - Penn State University—Capitol Campus
- Philadelphia
  - Drexel University
  - LaSalle College
  - Temple University
  - University of Pennsylvania
- Pittsburgh
  - Carnegie Mellon University
  - Duquesne University
  - University of Pittsburgh
- Scranton
  - University of Scranton
- Shippensburg
  - Shippensburg State College
- Slippery Rock
  - Slippery Rock State College
- State College
  - Pennsylvania State University
- Villanova
  - Villanova University
- West Chester
  - West Chester State College
- Wilkes-Barre
  - King's College
  - Wilks College

RHODE ISLAND

- Bristol
  - Roger Williams College
- Kingston
  - University of Rhode Island
- Providence
  - Johnson & Wales College

SOUTH CAROLINA

- Charleston
  - The Citadel
- Clemson
  - Clemson University
- Conway
  - University of South Carolina (Coastal Branch)
- Florence
  - Francis Marion College
- Rock Hill
  - Winthrop College

SOUTH DAKOTA

- Aberdeen
  - Northern State College
- Madison
  - Dakota State College
- Rapid City
  - National College of Business
- Sioux Falls
  - Augustana College
  - Sioux Falls College
- Spearfish
  - Black Hills State College
- Vermillion
  - University of South Dakota

TENNESSEE

- Athens
  - Tennessee Wesleyan College
- Chattanooga
  - The University of Tennessee at Chattanooga
- Clarksville
  - Austin Peay State University

Attachment C—*continued*

Cookeville
  Tennessee Technological University
Johnson City
  East Tennessee State University
Knoxville
  The University of Tennessee at Knoxville
Martin
  The University of Tennessee at Martin
Memphis
  Memphis State University
Murfreesboro
  Middle Tennessee State Univeristy
Nashville
  The University of Tennessee at Nashville

TEXAS

Abilene
  Abilene Christian University
  Hardin-Simmons University
Alpine
  Sul Ross State University
Arlington
  University of Texas-Arlington
Austin
  St. Edward's University
  University of Texas at Austin
Belton
  Mary Hardin Baylor
Beaumont
  Lamar University
Brownsville
  Pan American University at Brownsville
Canyon
  West Texas State University
College Station
  Texas A & M University
Commerce
  East Texas State-Commerce
Corpus Christi
  Corpus Christi State University
Denton
  North Texas State University
Edinburg
  Pan American University
El Paso
  University of Texas-El Paso
Houston
  Houston Baptist University
  University of Houston
    College of Business Administration
  College of Business Technology
University of Houston-Clear Lake Campus
Huntsville
  Sam Houston State University
Irving
  University of Dallas
Kingsville
  Texas A & I University
Loredo
  Laredo State University
Lubbock
  Texas Tech University
    Agriculture Economics
    Business Administration
    Home Management
Marshall
  Wiley College
Nacogdoches
  Stephen F. Austin University
Odessa
  University of Texas-Permian Basin
San Angelo
  Angelo State University
San Antonio
  St. Mary's University
  Trinity University
  University of Texas-San Antonio
San Marcos
  Southwest Texas State University
Texarkana
  East Texas State-Texarkana
Tyler
  Texas Eastern University
Ulvalde
  Sul Ross State University
Waco
  Baylor University
Wichita Falls
  Midwestern State University

UTAH

Logan
  Utah State University

- Ogden
  - Weber State College
- Provo
  - Brigham Young University
- Salt Lake City
  - University of Utah

VERMONT

- Bennington
  - Southern Vermont College
- Burlington
  - Champlain College
  - University of Vermont
- Castleton
  - Castleton State College
- Johnson
  - Johnson State College
- Northfield
  - Norwich University
- Poultney
  - Green Mountain College

VIRGINIA

- Blacksburg
  - Virginia Polytechnic Institute & State University
- Charlottesville
  - University of Virginia
    - Colgate Darden Graduate School
  - McIntire School of Commerce
- Fairfax
  - George Mason University
- Ft. Myer
  - Golden Gate University
- Harrisonburg
  - James Madison University
- Norfolk
  - Norfolk State College
  - Old Dominion University
- Richmond
  - Virginia Commonwealth University
- Petersburg
  - Virginia State University
- Williamsburg
  - College of William & Mary

WASHINGTON

- Chency
  - Eastern Washington University
- Ellensburg
  - Central Washington University
- Lynnwood
  - Edmonds Community College
- Olympia
  - Evergreen State College
- Pullman
  - Washington State University
- Seattle
  - Seattle University
  - University of Washington
- Tacoma
  - Pacific Lutheran University
  - University of Pugent Sound

WASHINGTON, D.C.

- American University
- Gallaudet College
- Georgetown University
- Southeastern University
- University of the District of Columbia

WEST VIRGINIA

- Athens
  - Concord College
- Bluefield
  - Bluefield State College
- Charleston
  - University of Charleston
  - West Virginia College of Graduates
- Elkins
  - Davis and Elkins College
- Fairmont
  - Fairmont State College
- Glenville
  - Glenville State College
- Huntington
  - Marshall University
- Institute
  - West Virginia State College
- Morgantown
  - West Virginia University

Attachment C—*continued*

West Liberty
    West Liberty State College
Wheeling
    Sheeling College

WISCONSIN

Eau Claire
    University of Wisconsin-Eau Claire
Kenosha
    University of Wisconsin-Parkside
Madison
    University of Wisconsin-Madison
Milwaukee
    Marquette University
    Milwaukee School of Engineering
    University of Wisconsin-Milwaukee
Oshkosh
    University of Wisconsin-Oshkosh

WYOMING

Laramie
    University of Wyoming

GUAM

Agana
    University of Guam

PUERTO RICO

Hato Rey
    Interamerican University
Mayaguez
    University of Puerto Rico-Mayaguez
Ponce
    Catholic University of Puerto Rico
Rio Piedras
    University of Puerto Rico-Rio Piedras

VIRGIN ISLANDS

St. Thomas

Attachment D

SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)

SBDC Director
University of Alabama in Birmingham
School of Business
1000 South 12th Street, Suite F
Birmingham, AL 35294
(205) 934-7260

SBDC Director
University of Arkansas
1015 West Second Street
Little Rock, AR 72201
(501) 371-5381

SBDC Director
University of Connecticut
School of Business Administration
Box U-41D
Storrs, CI 06268
(203) 468-4135

SBDC Director
University of Delaware
005 Purnell Hall
Newark, DE 19711
(302) 738-8401

SBDC Director
University of West Florida
137 Hospital Drive, Suite H
Ft. Walton Beach,FL 32548
(904) 243-7624

Acting SBDC Director
University of Georgia
Brooks Hall, Room 348
Athens, GA 30602
(404) 542-5760

SBDC Director
Iowa State University
Center of Industry Research and Service
Room 205
Ames, IA 50011
(515) 294-3420

SBDC Director
University of Kentucky
College of Business and Economics
Commerce Building, Room 415
Lexington, KY 40506
(606) 257-1751

SBDC Director
University of Southern Maine
246 Deering Avenue
Portland, ME 04102
(207) 780-4423

SBDC Director
University of Massachusetts
School of Business Administration
Amherst, MA 01003
(413) 549-4930 Ext. 304

SBDC Director
St. Thomas College
2115 Summit Avenue
St. Paul, MN 55105
(612) 647-5840

SBDC Director
University of Mississippi
1855 Eastover Drive, Suite 101
Jackson, MS 39211
(601) 982-6684

SBDC Director
St. Louis University
School of Business and Administration
3674 Lindell Boulevard
St. Louis, MO 63103
(314) 758-3825

SBDC Director
University of Nebraska — Omaha
Omaha, NE 68182
(402) 554-2521

Attachment D—*continued*

SBDC Director
Rutgers University
Akerson Hall, 3rd Floor
180 University Street
Newark, NJ 07102
(201) 648-5627

State Director, SBDC
University of Pennsylvania
The Wharton School
3201 Steinberg Hall
Dietrich Hall/CC
Philadelphia, PA 19104
(215) 898-1219

SBDC Director
Bryant College
Smithfield, RI 02917
(401) 231-1200

SBDC Director
University of South Carolina
College of Business Administration
Columbia, SC 29208
(803) 777-5118

SBDC Director
University of Utah
Graduate School of Business
Salt Lake City, UT 84112
(801) 581-7905

SBDC Director
Small Business Development Center
of Vermont, Inc.
73 Main Street, Room 7
Montpelier, VT 05602
(802) 862-0200

SBDC Director
Howard University
2361 Sherman Avenue, NW
Washington, D.C. 20059
(202) 636-7187

SBDC Director
Washington State University
College of Business andEconomics
Pullman, WA 99164
(509) 335-1576

SBDC Director
2300 MacCorkle Avenue, SE
Charleston, WV 25304
(304) 346-9471

SBDC Director
University of Wisconsin
One South Park Street
Madison, WI 53706
((608) 263-7794

WASHINGTON COUNCIL

1050 17th Street
Suite 900
Washington, D.C. 20036
(202) 887-5599

Are You Ready to Become an Entrepreneur?

The Small Business Administration (SBA) has developed some questions to help you think about what is needed to become a successful entrepreneur. Answer each question. If the answer is YES, you are on the right track. If you answer NO, you have some work to do.

	YES	NO
WHAT ABOUT YOU?		
• Are you the kind of person who can get a business started and run it successfully?	____	____
• Think about why you want to own your own business. Do you want it badly enough to work long hours without knowing how much money you'll end up with?	____	____
• Does your family go along with your plan to start a business of your own?	____	____
• Have you worked in a business similar to the one you want to start?	____	____
• Have you worked for someone else as a supervisor or manager?	____	____
• Have you had any business training in school?	____	____
WHAT ABOUT THE MONEY?		
• Have you saved any money?	____	____
• Do you know how much money you will need to get your business started?	____	____
• Have you figured out whether you could make more money working for someone else?	____	____
• Have you determined how much of your own money you can put into the business?	____	____
• Do you know how much credit you can get from your suppliers—the people from whom you will buy?	____	____
• Do you know where you can borrow the rest of the money needed to start your business?	____	____
• Have you figured out your expected net income per year from the business? (Include your salary and profit on the money you put into the business.)	____	____

SOURCE: Small Business Administration, *Small Marketers' Aid No. 71* (Washington, DC: Small Business Administration, 1975)

Are You Ready to Become an Entrepreneur?—*Continued*

	YES	NO
• Can you live on less than this so that you can use some of it to help your business grow?	____	____
• Have you talked to a banker about your plans?	____	____
SELLING		
• Have you decided on a selling plan?	____	____
• Do you know how to get customers to buy?	____	____
• Have you thought about the selling techniques that make customers want to buy from some salespersons while others turn them off?	____	____
YOUR EMPLOYEES		
• If you need to hire someone to help you, do you know where to look?	____	____
• Do you know what kind of person you need?	____	____
• Do you know how much to pay?	____	____
• Do you know what benefits to provide?	____	____
• Do you have a plan for training your employees?	____	____
• Do you have a work plan for yourself and your employees?	____	____
CREDIT FOR YOUR CUSTOMERS		
• Have you decided whether to let your customers buy on credit?	____	____
• Do you know the good and bad points about joining a credit card plan?	____	____
• Can you tell a "deadbeat" from a good credit customer?	____	____
• Have you talked with other business owners in the area about what they think of the business?	____	____
• Have you talked with the company's suppliers?	____	____
• Have you talked to a lawyer about it?	____	____
ADVERTISING		
• Have you decided how you will advertise (newspapers, posters, handbills, radio, mail)?	____	____

Are You Ready to Become an Entrepreneur?—*Continued*

	YES	NO
• Do you know where to get help with your ads?	____	____
• Have you watched how other similar businesses get people to buy?	____	____
THE PRICES YOU CHARGE		
• Can you determine what you should charge for each product or service you sell?	____	____
• Do you know what other businesses like yours charge?	____	____
BUYING		
• Do you know how to find out what your customers want?	____	____
• Will your inventory records tell you when it is time to reorder and how much to order?	____	____
• Will you buy most of your stock from a few suppliers rather than a little from many, so that those you buy from will want to help you succeed?	____	____
• Have you made plans for protecting your business against thefts of all kinds (shoplifting, robbery, burglary, stealing by employees)?	____	____
• Have you talked with an insurance agent about what kinds of insurance you need?	____	____
BUYING A BUSINESS FROM SOMEONE ELSE		
• Have you made a list of what you like and don't like about buying a business someone else has started?	____	____
• Are you sure you know the real reason why the owner wants to sell that business?	____	____
• Have you compared the cost of buying the business with the cost of starting a new business?	____	____
• Are the stock/equipment/fixtures up to date and in good condition?	____	____
• Is the building in good condition?	____	____
• Will the owner of the building transfer the lease to you?	____	____
• Have you talked with other business people in the area to see what they think of the business?	____	____

HO 9-4

Are You Ready to Become an Entrepreneur?—*Continued*

	YES	NO
• Have you talked with the company's suppliers?	___	___
• Have you talked with a lawyer about it?	___	___
YOUR RECORDS		
• Have you planned a system of records that will enable you to keep track of your income and expenses, what you owe other people, and what other people owe you?	___	___
• Can you keep track of your inventory so that you will always have enough on hand for your customers, but not more than you can sell?	___	___
• Have you figured out how to keep payroll records and take care of tax reports and payments?	___	___
• Do you know what financial statements you should prepare?	___	___
• Do you know how to use these financial statements?	___	___
• Do you know an accountant who will help you with your records and financial statements?	___	___
YOUR BUSINESS AND THE LAW		
• Do you know what licenses and permits you need?	___	___
• Do you know what business laws you have to obey?	___	___
EQUIPMENT AND SUPPLIERS		
• Do you know what equipment and supplies you will need and how much they will cost?	___	___
• Can you save some money by buying secondhand equipment?	___	___
YOUR MERCHANDISE/SERVICES		
• Have you decided what products/services you will sell?	___	___
• Do you know how much or how many of each product you will need to buy in order to open your business?	___	___
• Have you found suppliers who will sell you what you need at a good price?	___	___
• Have you compared the prices and credit terms of different suppliers?	___	___

HO 9-4

Are You Ready to Become an Entrepreneur?—*Continued*

	YES	NO
HOW ABOUT A PARTNER?		
• If you need a partner who has money or know-how you need, do you know someone who will fit—someone with whom you can get along?	____	____
• Do you know the good and bad points about going it alone, having a partner, and incorporating your business?	____	____
• Do you know a lawyer to whom you can go for advice and help with legal papers?	____	____
• Have you talked to a lawyer about it?	____	____
WHAT ABOUT YOUR CUSTOMERS?		
• Do most businesses in your community seem to be doing well?	____	____
• Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?	____	____
• Do you know what kind of people will want to buy what you plan to sell?	____	____
• Do such people live in the area where you want to open your business?	____	____
• Do you feel they need a business like yours?	____	____
• If not, have you thought about opening a different kind of business or going to another neighborhood?	____	____
YOUR BUILDING		
• Have you found a good location for your business?	____	____
• Will you have enough room when your business "gets going"?	____	____
• Will you have adequate parking facilities?	____	____
• Can you fix the building the way you want to without spending too much money?	____	____
• Can potential customers get to it easily from parking spaces, bus stops, or homes?	____	____
• Have you had a lawyer check the lease and zoning?	____	____

Personal Plan of Action

Needs	Proposed Action	Resources

TP 9-1

RESOURCES AVAILABLE FOR SMALL BUSINESS OWNERS

FEDERAL GOVERNMENT AGENCIES

- U.S. DEPARTMENT OF COMMERCE
    - INTERAGENCY COUNCIL FOR MINORITY BUSINESS ENTERPRISE
    - MINORITY BUSINESS DEVELOPMENT AGENCY
    - NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL
- U.S. SMALL BUSINESS ADMINISTRATION
    - OFFICE OF MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT
    - SMALL BUSINESS INVESTMENT COMPANIES
    - OFFICE OF PROCUREMENT AND TECHNOLOGY ASSISTANCE
    - PRESIDENTIAL ADVISORY COMMITTEE ON SMALL AND MINORITY BUSINESS OWNERSHIP
    - SERVICE CORPS OF RETIRED EXECUTIVES
    - ACTIVE CORPS OF EXECUTIVES
    - SMALL BUSINESS INSTITUTE PROGRAM
    - SMALL BUSINESS DEVELOPMENT CENTERS
    - INTERAGENCY COMMITTEE ON WOMEN'S BUSINESS ENTERPRISE
- U.S. DEPARTMENT OF EDUCATION
    - NATIONAL SCIENCE FOUNDATION
    - COUNCIL OF STATE COMMUNITY AFFAIRS AGENCIES

LOCAL AND STATE AGENCIES

- STATE DEPARTMENTS OF VOCATIONAL EDUCATION
- LOCAL CHAMBERS OF COMMERCE

VENTURE COMPANIES

- AMERICAN INDIAN NATIONAL BANK

PRIVATE SECTOR AND SPECIAL INTEREST GROUPS

- CHARLES STEWART MOTT FOUNDATION
- NATIONAL COALITION OF HISPANIC MENTAL HEALTH AND HUMAN SERVICES
- NATIONAL COMMISSION ON RESOURCES FOR YOUTH, INC.
- NATIONAL MINORITY BUSINESS COUNCIL, INC.
- UNITED INDIAN DEVELOPMENT ASSOCIATION
- WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

COLLEGES, UNIVERSITIES, AND ENTREPRENEURSHIP CENTERS

- VOCATIONAL STUDIES CENTER (UNIVERSITY OF WISCOSIN-MADISON)
- CENTER FOR PRIVATE ENTERPRISE AND ENTREPRENEURSHIP (BAYLOR UNIVERSITY)
- CENTER FOR ENTREPRENEURSHIP AND SMALL BUSINESS MANAGEMENT (WICHITA STATE UNIVERSITY)
- THE ENTREPRENEURSHIP INSTITUTE (COLUMBUS, OH)
- HAWAII ENTREPRENEURSHIP TRAINING AND DEVELOPMENT INSTITUTE (HONOLULU, HI)

Developing a Personal Plan of Action

UNIT 10

UNIT 10

Title: **DEVELOPING A PERSONAL PLAN OF ACTION**

Purpose: The purpose of this unit is to summarize each participant's preliminary business plan and to decide on the next steps.

Objectives: Upon completion of this unit, the participants will—

- have presented a summary of their business plan to peers and guests,
- have decided on their readiness to start a business, and
- have created an ongoing support group.

Materials:
Handout 10-1: Participant Course Evaluation
Handout 10-2: Community Advisory Committee Evaluation

Product: Personal Plan of Action

Notes to Instructor: You may want to provide refreshments or ask the class to do so.

Formation of an ongoing support group should be optional. If your sponsoring organization permits, an ongoing support system or center is desirable in the developing entrepreneur. Computers, contacts, resources, and individualized instruction may all be very helpful to those who wish to proceed with their own small businesses.

Time spent on class presentations will obviously depend on the number of participants in the class. For example, the 120-minute estimate allows the following:

- Fifteen 8-minute presentations
- Twelve 10-minute presentations
- Ten 12-minute presentations
- Eight 15-minute presentations

You will need to decide on the amount of time allowed for each presentation and the extent of the presentations before the class meets. An alternative if you have a very large class is to start the presentations in unit 9 (you could call for early volunteer presenters) and eliminate the panel.

In addition to the course evaluation by the participants, you will also want to get feedback from the community advisory committee. See HO 10-2.

Estimated Time:

Introduction of guests	15 minutes
Presentation of business plans	120 minutes
Summary and evaluation	15 minutes
Refreshments	20 minutes

CONTENT	PROCESS
A. Presentation of Business Plans	All participants should introduce their guests. All participants should present a brief summary of their business plan to include the following components: • Description of business idea • Marketing plan • Financial plan • Organizational plan
B. Organizing Support Group 1. This class experience has given you the opportunity to evaluate the *desirability* and *feasibility* of starting your own business. You will recall from our first class discussion that you have the following four options: • Going to work for someone else to gain experience before starting your own business • Taking course work or further training before starting your own business • Starting your own business now • Deciding not to start your own business Whatever decision you make is an individual decision and *is okay*. No one can make this decision for you—we've only tried to give you information that will help you make the best decision for you.	
Also, HO 9-4: Are You Ready to Become an Entrepreneur? and HO 9-5: Personal Plan of Action (both from unit 9) are designed to aid you further in your decision concerning your next steps.	Ask participants if they have any questions concerning these handouts.

CONTENT	PROCESS
2. We have developed some real friendships in this class that can serve in an ongoing support capacity as you make your entrepreneurial preparations. You might want to develop some kind of ongoing activity for this group, such as a regular lunch or breakfast meeting. Just remember that such a support group can become an invaluable resource.	You might want to discuss decisions that have been made and individuals' next steps.
C. Evaluation Before you leave, please complete the evaluation for this class.	Distribute HO 10-1: Participant Course Evaluation. Be sure to tell the participants they don't have to sign the evaluation so as to encourage honest feedback. They may wish to include a copy of their business plans; however, this should be optional.
D. Refreshments	

Participant Course Evaluation

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Were you interested in this course?					
Did you feel that the group was interested in this course?					
Did you learn any new facts or get any new ideas?					
Did you change any of your previous opinions about starting your own business as a result of this course?					
Were your previous opinions confirmed or strengthened?					
Do you think the group accomplished its goal as a result of this course?					
Was the instructor sufficiently prepared?					
Would the course have been better if some parts had been left out? What parts?					

HO 10-1

Participant Course Evaluation—*Continued*

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Did you find the social atmosphere of the course congenial and enjoyable?					
Do you have suggestions (about techniques, material, and so forth) for improving future courses? (Use other side of page if necessary.)					

If at this time you have made a decision about starting your own business and would like to share this information, please do so in the space provided. You may want to attach a copy of your business plan.

Community Advisory Committee Course Critique

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Did you feel that the group was interested in this course?					
Do you think the group accomplished its goal as a result of this course?					
Was there enough preparation for the course?					
Would the course have been better if some parts had been left out? (List parts under comments.)					
Did you find the social atmosphere of the course congenial and enjoyable?					
Did participants contact you for additional information and assistance between class meetings?					

HO 10-2

Community Advisory Committee Course Critique—*Continued*

	Very Much	Quite a Bit	Some but Not Much	Very Little	Comments
Do you have any suggestions about techniques or material for improving the course?					
Did you enjoy participating in this course as a committee member? Would you participate again if asked? (Indicate yes or no under comments.)					

RESOURCES

Ashmore, M. Catherine, and Pritz, Sandra G., comp. *Program for Acquiring Competence in Entrepreneurship (PACE), Revised*. Research and Development Series no. 240. Columbus: The National Center for Research in Vocational Education, The Ohio State University, 1982.

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Kent, Calvin A.; Sexton, Donald L.; and Vesper, Karl H.; eds. *Encyclopedia of Entrepreneurship*. Englewood Cliffs, NJ: Prentice-Hall, 1982.

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Vesper, Carl. *New Venture Strategies*. Englewood Cliffs, NJ: Prentice-Hall, 1980.

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